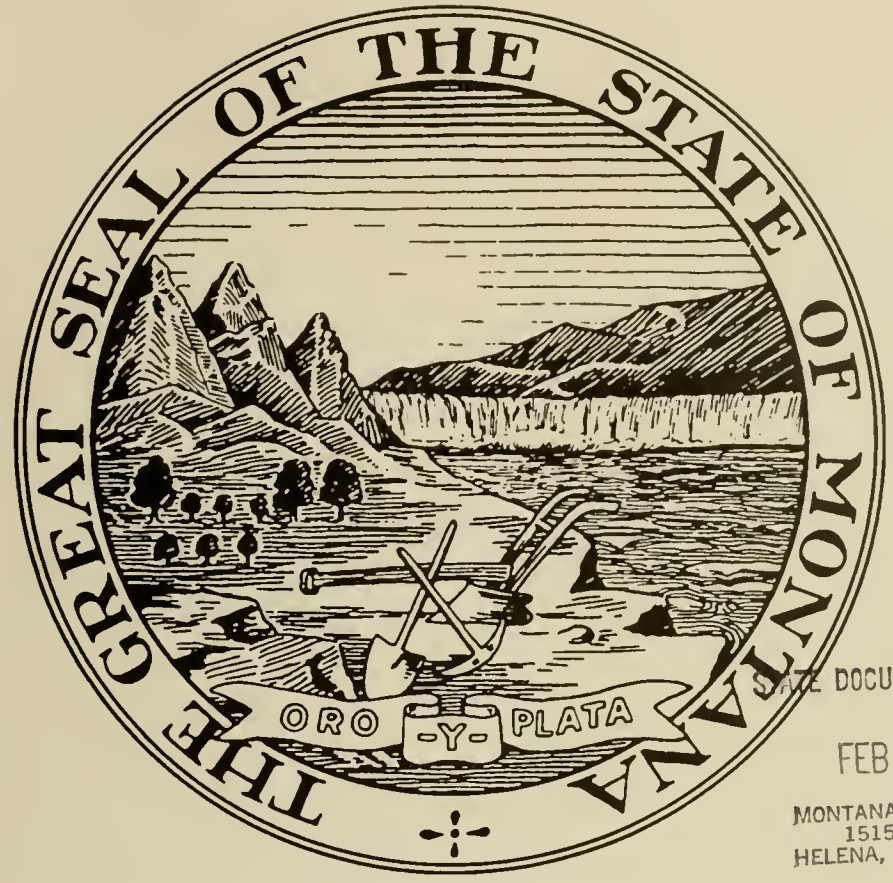
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Governor's Executive Budget

Fiscal Years 1996-1997

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Governor Marc Racicot
State of Montana

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STATE OF MONTANA

MARC RACICOT
GOVERNOR

STATE CAPITOL
HELENA, MONTANA 59620-0801

November 15, 1994

Honorable President and Members of the Senate
Honorable Speaker and Members of the House

Honored Members of the Fifty-Fourth Legislative Assembly:

In accordance with Article VI, Section 9, of the Constitution of Montana, and Title 17, Chapter 7, part 1, Montana Code Annotated, I am transmitting to you my Executive Budget recommendations.

This budget sets forth a balanced financial plan for Montana state government for the 1997 biennium. In order to achieve this balance, hard choices were made regarding virtually every program in state government. I believe that this budget responsibly allocates available revenues to the highest priority programs. There are no general tax increases and we have eliminated our long-term deficit.

I wish you well in your work.

Sincerely,

Marc Racicot

MARC RACICOT
Governor

TELEPHONE: (406) 444-3111 FAX: (406) 444-5529



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	6101 Dept of Administration	6103 State Comp Insurance Fund
	6104 Public Employees Retirement	6105 Teachers Retirement

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	5111 Forestry & Cons Exper Stat	5112 Bureau of Mines
	5113 School for the Deaf & Blind	5116 Advisory Council for Vo-Ed
	5119 Fire Services Training Schl	
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	5103-08 Six Units of Higher Ed	

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SUMMARY

1997 Biennium Budget Overview

Montana is undergoing a record economic expansion, placing it among the top two fastest-growing state economies in the nation. There are more Montanans today than ever before, estimated at about 846,000. More Montanans are working today than ever before, 429,300. Unemployment is at the lowest rate in a quarter-century. And while state government employment is shrinking, with a net reduction of nearly 100 full-time equivalent employees, the private sector is creating one new job every 28 minutes.

This growth carries many benefits; more families enjoying a better lifestyle, saving, investing and spending, which benefit other families in other economic and cultural sectors. More jobs also mean more state revenues collected than projected even 11 months ago. This will allow us to refund the excess collections from this year to the taxpayers.

Growth also has its costs, which are reflected in the new budget--costs for education, social services, medical care, corrections and infrastructure. However, this new 1996-97 budget for the state's General Fund and School Equalization Aid Account is fully balanced with NO new general tax increases. We are dropping our original request for an increase in the nursing home bed tax which is used to match federal dollars to provide care for our citizens in nursing homes. We believe that we have enough in the general fund and in our fund balance to provide the needed amount for the nursing home increase without raising the bed tax.

More families mean more children in school, a 2.5% increase in enrollments coinciding with population growth that will push the school population to 166,500 in 1997. Thus, state spending for K-12 students, the equalization of which is mandated by our constitution, will increase in this two year budget by $30.5 million as required by law.

The increased number of prisoners in the corrections system will cause a $19.5 million increase in the budget. With aggressive enforcement of the criminal law at all levels, Montana experienced a 14.5% annual increase in prison population for the year ending June 30, the fourth largest increase in the United States. The increased budget allocation is the third highest in the country, closely tracking the number of prison inmates. A major proposal in the building program is to fund, in conjunction with counties, the construction of three regional jails to handle current and projected prisoner growth. This will protect law-abiding Montanans and demonstrate decisively to those potential criminals and repeat offenders that there are real consequences for their anti-social behavior.

Additionally, we are providing a $13 million increase to fund improved services for an ever-expanding number of children and families in crisis which translates to increased foster care, custodial treatment and expenses for child abuse investigation. We have also included $20 million in the building program budget for expanded facilities to serve those of our mentally ill population who cannot be treated entirely in out-patient facilities.

Spending for medicaid and other social services is increasing but by a much smaller sum--$50 million--than originally anticipated, thanks to a new and aggressive managed care program and tightened fiscal controls.

Higher education is to receive an increase of $6 million from existing revenue within the executive branch pay plan pool to fund a market based salary proposal and $6 million in new general fund spending to cover the costs of increased enrollment. Salary increases are for the first time now tied to productivity increases. This will ensure continued progress toward development of a consolidated, coordinated and accountable higher education system for the state.

A total of $20 million has been budgeted in the general fund to provide state employee pay adjustments and, for the first time, a guaranteed annual benefit adjustment to retired public employees. This pool of funds was created by reducing employees from the base authorized by the last legislature as well as reducing budgets in anticipation of vacancies. This complies with the Governor's directive that the salary increases be financed solely through savings from holding open job vacancies or eliminating jobs altogether. Negotiations for the employee pay adjustment are not complete, but any agreement will fall within these parameters.

There is a net spending general fund/SEA increase of $135 million for the upcoming budget period. This is about 7.3% for the biennium, compared with average biennial increases of 13% for the past decade and longer. All of this increase will be absorbed within existing income from the natural growth in personal income tax payments and other revenue sources. Revenues are increasing 7.5% and expenditures at 7.2% as we continue to avoid the structural deficit we endured for many years. No new revenues are being asked for from general taxes since we do not want to place any increased burdens on our families, the most important social unit, nor on our private businesses, which are the engines of our economic development.

We have more people living and working in the state and the ongoing taxes they pay, properly directed at the most pressing social and economic priorities, give our society the ability to avoid seeking increased taxes while still dealing with the increased demands for governmental services such as education and corrections that an expanding population requires.

Additionally, we propose to begin transferring the funding for the Highway Patrol and Motor Vehicle Registration programs of the Department of Justice back from the state gasoline tax account into the general fund. Motor vehicle funding is transferred to the general fund in the 1997 biennium and the Highway Patrol is planned to be transferred during the following biennium. Those who pay highway fuel taxes need to know that within the next few years their money will be used for infrastructure and highway construction and maintenance.

An additional $9.0 million of general fund is being used to replace resource indemnity and liquor tax money now being used to finance the cost of operations in the Departments of Revenue, State Lands, and Natural Resources.

All of this taken together has enabled the administration to eliminate the structural deficit between revenues and expenditures that has plagued the state for so many years. As the Governor has noted, Montana's state government must learn to live within its means, just as Montana's families have long done. This budget does just that.

General Fund Balance Summary

Office of Budget and Program Planning

Executive Budget Request for 1997 Biennium
(In Millions)

	Actual FY 94	Projected FY 95	Proposed FY 96	Proposed FY 97
Beginning Fund Balance	41.471	32.771	55.717	22.000
Revenues:				
Current Law Estimate	480.021	640.997	669.673	704.501
Governor's Proposals:				
Tax Return			(25.000)	
Mezannine Financing			(0.039)	(0.075)
Microbusiness Loan Expansion			(0.020)	(0.048)
University System R&D Funding			(0.265)	(0.694)
Total Available	521.492	673.768	700.066	725.684
Disbursements:				
General Appropriations	460.537	449.387	520.696	534.022
Pay Plan Appropriations		4.875	5.235	10.607
Benefit Adjustment for Retirees			1.799	3.171
Statutory Appropriations:				
Property Tax Reimbursement	18.383	18.383	18.383	18.383
Debt Service	12.706	14.918	8.539	4.770
TRANS Interest	2.275	2.582	2.022	2.176
District Court Reimbursements	3.033	4.097	4.506	4.957
Banking Services	0.556	0.804	0.388	0.388
DUI Testing Equipment	0.050	0.050	0.050	0.050
Emergency Assistance	0.109	7.800		
District Court Automation	0.272			
Miscellaneous Appropriations		1.099		
Supplemental Appropriations		16.418		
Transfers from FY 95 to FY 94		(1.768)		
Continuing Appropriations		8.229		
School Equalization Transfer		98.747	125.648	120.885
LRBP Transfer		2.600	(5.200)	
Feed Bill		5.000	0.000	5.000
Reversions		(3.500)	(2.500)	(2.500)
Total Disbursements	497.921	629.721	679.566	701.909
Adjustments	7.724	3.817		
Residual Equity Transfer	1.476	7.853	1.500	1.500
Ending Fund Balance	**32.771**	**55.717**	**22.000**	**25.275**

School Equalization Account Balance Summary

Office of Budget and Program Planning

Executive Budget Request for 1997 Biennium

	Actual FY 94	Projected FY 95	Projected FY 96	Projected FY 97
Beginning Fund Balance	10.706	17.109	0.000	0.000
Revenues:				
Current Law Estimate	411.834	289.921	291.850	298.922
Governor's Proposals:				
Microbusiness Loan Expansion			(0.004)	(0.009)
University System R&D Funding			(0.047)	(0.123)
Project 95 Oil & Gas Revenue		0	0.000	5.000
Total Available	422.540	307.030	291.799	303.790
Disbursements:				
Current Level Schedules	271.760	277.582	411.239	417.967
Guaranteed Tax Base	128.575	133.164		
GTB & ANB Estimate Revisions		9.422		
HB 22 Reductions		(19.064)		
Transportation Costs	3.908	3.914	3.908	3.908
OPI Administration	0.322	0.078		
Telecommunication Network	0.177	0.200	0.200	0.200
SIMMS	0.500	0.500	0.500	0.500
Children Treatment		0.250		
Other	0.146	0.100	0.100	0.100
School Facility Equalization - SA	1.000	1.000	1.500	2.000
Total Disbursements	406.388	407.146	417.447	424.675
Adjustments	0.957	1.369	0.000	0.000
General Fund Transfer	0.000	98.747	125.648	120.885
Ending Fund Balance	**17.109**	**0.000**	**0.000**	**0.000**

General Fund And School Equalization Account Revenue Estimates

General Fund

Revenue Source	Actual FY94	Estimated FY95	Estimated FY96	Estimated FY97
Drivers License Fee	1,855,408	2,018,849	2,042,325	2,063,883
Insurance Tax	22,510,847	24,685,470	26,404,970	27,623,050
Vehicle Registration Fee	9,720,928	9,836,102	9,951,283	10,058,777
Vehicle License Fee	3,703,611	4,096,774	4,506,451	4,957,097
Video Gaming LicenseFee	9,955,424	10,566,100	11,200,066	11,872,070
Beer Tax	1,375,734	1,377,945	1,389,749	1,401,581
Coal Severance Tax	6,351,040	6,709,639	6,735,207	6,523,924
Corporation Tax	37,550,124	55,716,138	60,351,649	66,251,409
Electrical Energy Tax	3,728,365	3,982,901	3,987,180	4,115,452
Rail Car Tax	66,530	3,000,000	3,000,000	3,000,000
Individual Income Tax	207,010,766	339,531,884	360,103,185	380,102,499
Inheritance Tax	10,885,745	11,514,224	11,815,010	12,115,796
Metal Mines Tax	3,613,074	3,268,007	3,425,360	3,590,239
Natural Gas Severance Tax	1,310,718	1,389,876	1,526,872	1,674,876
Oil Severance Tax	12,092,689	10,052,255	10,410,005	10,878,415
Telephone Tax	6,835,202	4,303,145	4,453,755	4,609,636
Wine Tax	763,752	774,029	757,767	741,847
Institution Reimbursements	15,414,542	15,553,500	16,335,060	16,298,398
TCA Interest Earnings	11,776,420	14,413,864	15,757,052	17,000,616
Liquor Excise Tax	6,323,863	6,394,181	6,680,157	6,811,515
Liquor Profits	3,437,523	4,448,228	5,051,796	5,246,995
Coal Trust Interest Earnings	35,466,465	32,867,561	33,659,767	34,394,571
Long Range Bond Excess	49,214,565	48,242,140	50,824,263	53,486,471
Other Revenue	19,057,844	26,254,526	19,303,967	19,681,435
General Fund Total	**480,021,179**	**640,997,338**	**669,672,896**	**704,500,552**

School Equalization Account

Revenue Source	Actual FY94	Estimated FY95	Estimated FY96	Estimated FY97
Coal Severance Tax	4,695,429	4,970,103	4,989,042	4,832,537
Corporation Tax	16,446,589	0	0	0
Individual Income Tax	108,666,666	0	0	0
County Levy	124,696,589	126,609,451	126,812,378	130,772,852
Statewide Levy	77,685,356	80,694,049	83,504,795	86,443,945
SEA Interest Earnings	94,534	50,000	0	0
Local Impact Interest	66,366	66,000	50,000	50,000
Interest & Income	40,943,551	39,022,357	38,859,489	39,346,654
Coal Trust Interest Earnings	6,258,550	5,800,158	5,939,959	6,069,630
Lottery Revenue	8,523,907	8,202,061	8,202,097	8,242,968
U.S.Mineral Leasing	22,052,161	23,007,161	23,322,788	23,084,997
Other Revenue	1,704,408	1,500,000	169,000	79,000
SEA Total	**411,834,107**	**289,921,340**	**291,849,548**	**298,922,583**
Total General Fund & SEA	**891,855,286**	**942,918,678**	**961,522,444**	**1,003,423,134**

Use of the General Fund Surplus

The Fifty-Third Legislature budgeted a $24 million ending general fund balance for the 1995 biennium. The projected ending fund balance is expected to exceed that amount by over $30 million. The two major reasons for the existence of the excess revenues are, first, a stronger than anticipated economy and the resulting increase in individual income tax revenues and, second, the tight fiscal management and controls exerted during the last two years.

Since the taxpayers of this state did not tell us to "keep the change", we accept the responsibility to return these excess revenues to the taxpayers. The Governor recommends a refund rather than a permanent expansion of government spending. In addition, the mechanism to return these tax dollars to the taxpayer must be efficient and economical so that very little administrative cost is incurred. Citizen suggestions for returning the surplus have concentrated on three taxes: income tax, property tax and gas tax, with the majority of the input favoring the income tax.

We propose an income tax refund as the mechanism for returning general fund collections in excess of the $24 million budgeted ending fund balance. The refund calculation would be included as part of the 1995 Individual Income Tax Return.

This proposal targets the excess tax collections to those taxpayers responsible for the increased collections and minimizes the administrative costs of the refund process.

The special legislative session in November of 1993 enacted an historic piece of legislation which removed a veil of confusion, mystery and misunderstanding from the state budget. Until passage of House Bill 7, (referred to as the "Truth In Budgeting Bill"), which was supported by the Governor, the budget was presented in a statutorily-required format in which much of the increased spending was hidden.

In the past, there was a "current level" budget which included all costs of doing business precisely as they had been in the previous budget period. All inflationary and fixed cost increases, and caseload and enrollment growth were then added to the expenditures of the previous budget to comprise what was referred to as the "current level budget." Only new projects and modifications were considered budget increases. HB7, however, eliminated the presentation of current level budgets and changed state budgeting.

HB7 results in this budget presenting fiscal year 1994 as the base and specifically identifying any and all increases, no matter what the reason. The change results in this budget showing a 1997 biennium increase of nearly $400 million, or 7.3%, in total funds spending above the 1994 base year.[1] Under the old current level budget protocol all but $150 million of this increase would have been included in "current level" expenditures and the executive budget would have, as a result, shown only a 3% increase. The appropriations subcommittees traditionally started with the old "current level" budget and did not focus on what now shows clearly as an increase above the base.

Nearly 60% of the total increase is accounted for by increased federal money for the federal contributions to social services and highway construction programs. Another large portion of the increase is from state funds such as gasoline and diesel fuel taxes. The two largest increases are as shown below:

1997 Biennium Increase over the 1994 Base

Department of Transportation:	
Fuel Tax and Fees	$110 million
Federal Contribution	70 million
Total	$180 million
Department of Social and Rehabilitative Services:	
General Fund	$ 50 million
Federal Contribution	130 million
Total	$180 million

We are pleased to present the first budget subject to the new requirement for full disclosure, even though the apparent increases are sure to generate criticism. In the long run, the taxpayers of the state will be well served by this new format and full disclosure. In comparing this budget to previous budgets one should keep in mind the required change in format and realize that, even though the total increase appears large, it consists of a large percentage of federal and other funds dedicated to specific projects and programs. The general fund/school equalization aid account shows a total increase of approximately 7% for the biennium.

[1] (1997 Biennium - SEA transfers) - (FY94 x2) = $400 million increase net of accounting changes

General Fund	Actual FY 1994	Budgeted[2] FY 1995	Recommendation FY 1996	Recommendation FY 1997
LEGISLATIVE AUDITOR	1,275,241.35	1,336,570	1,481,035	1,496,327
LEGISLATIVE FISCAL ANALYST	786,073.51	876,825	819,196	837,105
LEGISLATIVE COUNCIL	1,981,085.06	2,333,302	2,580,710	3,077,456
LEGISLATURE-SENATE	392,605.36	359,193	0	0
LEGISLATURE-HOUSE	684,139.47	235,537	0	0
ENVIRONMENTAL QUALITY COUNCIL	272,898.70	277,512	309,008	306,950
JUDICIARY	8,674,094.87	9,951,591	10,085,216	10,495,215
GOVERNORS OFFICE	2,212,676.24	2,285,872	2,548,707	2,498,097
SECRETARY OF STATES OFFICE	40,309.39	68,922	37,119	37,490
COMMISSIONER OF POLITICAL PRAC	126,624.72	126,475	152,581	147,220
STATE AUDITORS OFFICE	2,073,290.06	2,094,447	2,014,713	1,994,864
OFFICE OF PUBLIC INSTRUCTION	45,297,971.77	144,382,858	175,865,673	164,490,452
CRIME CONTROL DIVISION	457,347.37	467,738	484,698	486,617
HIGHWAY TRAFFIC SAFETY	180,701.00	180,696	250,000	250,000
DEPARTMENT OF JUSTICE	13,153,682.01	9,629,357	16,141,189	15,877,766
BOARD OF PUBLIC EDUCATION	110,909.29	107,941	116,996	115,954
COMMISSIONER OF HIGHER ED	109,452,195.15	107,182,305	109,242,063	112,223,182
SCHOOL FOR THE DEAF & BLIND	2,533,918.42	2,681,277	2,887,985	2,818,872
MONTANA ARTS COUNCIL	122,837.00	120,746	212,313	194,106
LIBRAPY COMMISSION	1,131,029.90	1,125,313	1,543,904	1,304,180
HISTORICAL SOCIETY	1,343,281.10	1,311,635	1,327,917	1,313,524
DEPT OF FISH, WILDLIFE & PARKS	288,020.98	275,937	285,777	284,840
DEPT HEALTH & ENVIRON SCIENCES	3,799,026.58	4,136,678	4,664,310	4,519,299
DEPARTMENT OF TRANSPORTATION	127,859.20	32,350	150,000	250,000
DEPARTMENT OF STATE LANDS	8,510,274.25	14,626,065	9,192,288	8,920,701
DEPARTMENT OF LIVESTOCK	357,963.10	407,218	456,397	459,057
DEPT NAT RESOURCE/CONSERVATION	3,077,818.83	3,202,344	4,728,534	4,688,574
DEPARTMENT OF REVENUE	39,609,134.37	38,065,380	40,726,806	40,774,686
DEPARTMENT OF ADMINISTRATION	18,874,910.88	22,166,508	14,877,024	11,250,817
LONG-RANGE BUILDING	709,529.32	100,000	0	0
DEPARTMENT OF AGRICULTURE	467,810.44	434,355	467,120	450,282
CORRECTIONS & HUMAN SERVICES	77,776,508.12	78,944,806	97,765,042	97,973,155
DEPARTMENT OF COMMERCE	1,429,258.18	1,416,206	1,722,770	1,698,449
LABOR & INDUSTRY	1,044,959.62	788,152	879,654	879,202
DEPT OF MILITARY AFFAIRS	2,061,820.98	3,121,116	2,203,739	2,176,168
DEPT SOCIAL & REHAB SERVICES	112,806,929.91	120,231,310	133,933,877	149,460,393
DEPARTMENT OF FAMILY SERVICES	34,676,450.67	34,117,870	40,078,080	41,880,011
SUPPLEMENTAL APPROPRIATIONS	0	16,418,000	0	0
LONG RANGE BUILDING TRANSFER	0	2,600,000	0	0
FEED BILL		5,000,000	0	5,000,000
REVERSIONS	0	(3,500,000)	(7,700,000)	(2,500,000)
PAY PLAN AND GABA			7,034,000	13,778,000
Total Deductions	497,921,187.17	629,720,407	679,566,441	701,909,011
LICENSES & PERMITS	22,458,486.74	22,819,762	23,577,750	23,916,110
TAXES	324,636,786.68	476,792,831	505,048,161	533,491,846
SERVICE FEES	19,946,122.19	19,888,886	20,172,138	20,157,368
INVESTMENT EARNINGS	11,979,737.36	14,415,394	15,758,202	17,001,516
FINES	1,859,152.95	1,180,336	1,380,250	1,380,250
REIMBURSEMENTS	114,103.16	7,509,968	90,836	118,500
SALE DOCUMENTS,MERCH,&PROPERTY	230,312.12	261,536	217,886	262,886
RENTALS,LEASES, & ROYALTIES	97,864.18	59,450	59,450	59,450
MISCELLANEOUS	366,308.00	105,432	192,012	1,139,082
GRANTS,GIFTS,BEQUESTS,DONATION	200.00	0	0	0
INCOME COLLECTIONS & TRANSFERS	98,159,185.70	97,763,405	102,964,537	106,758,730
FEDERAL ASSISTANCE	172,920.01	200,000	211,778	215,744
GOVERNOR'S REVENUE PROPOSALS	0.00	0	(25,324,000)	(817,000)
Total Additions	480,021,179.09	640,997,000	644,349,000	703,684,482
Beginning Fund Balance	41,471,000.00	32,771,000	55,717,593	22,000,152
Subtract Adjustments	9,200,000.00	11,670,000	1,500,000	1,500,000
Ending Fund Balance	32,771,000.00	55,717,593	22,000,152	25,275,623

State Special Revenue Fund

	Actual FY 1994	Budgeted[2] FY 1995	Recommendation FY 1996	Recommendation FY 1997
LEGISLATIVE AUDITOR	1,311,313.79	1,458,842	1,318,885	1,318,885
LEGISLATIVE COUNCIL	918,704.00	468,317	955,140	463,753
ENVIRONMENTAL QUALITY COUNCIL	13,813.80	13,442	13,966	14,117
CONSUMER COUNSEL	865,914.84	1,007,311	1,008,198	1,025,877
JUDICIARY	1,078,175.49	1,126,177	509,842	514,454
MT CHIROPRACTIC LEGAL PANEL	8,840.09	12,000	14,000	14,000
GOVERNORS OFFICE	173,913.84	715,743	174,913	175,247
SECRETARY OF STATES OFFICE	0.00	0	0	0
COMMISSIONER OF POLITICAL PRAC	13,299.26	0	0	0
STATE AUDITORS OFFICE	9,825,562.07	9,647,146	10,556,962	10,883,594

Total Fund Budget Analysis

OFFICE OF PUBLIC INSTRUCTION	408,107,048.33	409,853,996	418,654,187	425,883,477
CRIME CONTROL DIVISION	1,072,757.10	1,505,251	1,499,920	1,499,021
HIGHWAY TRAFFIC SAFETY	75,872.23	84,760	86,000	86,000
DEPARTMENT OF JUSTICE	40,104,260.02	44,146,454	40,139,856	39,562,161
PUBLIC SERVICE REGULATION	2,164,087.25	2,284,660	2,244,239	2,080,791
BOARD OF PUBLIC EDUCATION	158,436.81	163,545	219,416	218,169
COMMISSIONER OF HIGHER ED	18,802,264.74	16,863,356	88,278,330	92,883,146
SCHOOL FOR THE DEAF & BLIND	232,456.83	476,232	278,076	278,076
MONTANA ARTS COUNCIL	637,853.45	1,074,633	106,004	106,764
LIBRARY COMMISSION	761,912.78	746,999	1,056,121	617,308
HISTORICAL SOCIETY	274,334.84	232,767	216,429	217,013
DEPT OF FISH, WILDLIFE & PARKS	25,814,497.96	41,907,756	26,122,225	24,824,744
DEPT HEALTH & ENVIRON SCIENCES	13,461,661.98	19,723,899	20,540,574	21,869,282
DEPARTMENT OF TRANSPORTATION	185,798,332.19	203,539,977	234,478,285	244,425,420
DEPARTMENT OF STATE LANDS	6,164,757.92	8,055,161	9,680,215	5,914,871
DEPARTMENT OF LIVESTOCK	4,716,445.67	4,931,920	4,986,145	4,903,119
DEPT NAT RESOURCE/CONSERVATION	9,475,109.96	19,699,355	7,545,643	6,809,135
DEPARTMENT OF REVENUE	43,968,980.86	48,935,342	39,823,548	39,833,901
DEPARTMENT OF ADMINISTRATION	3,675,051.03	6,346,715	2,336,964	2,328,290
STATE COMPENSATION INS. FUND	72,459,971.23	77,500,000	76,254,369	76,387,456
LONG-RANGE BUILDING	6,064,009.86	0	0	0
DEPARTMENT OF AGRICULTURE	7,029,599.14	6,355,157	6,947,964	7,006,337
CORRECTIONS & HUMAN SERVICES	7,054,648.45	7,901,381	7,547,957	7,612,234
DEPARTMENT OF COMMERCE	19,500,455.72	21,977,165	22,852,819	17,089,901
LABOR & INDUSTRY	12,054,117.59	12,254,163	11,514,401	11,206,837
DEPT OF MILITARY AFFAIRS	52,820.89	44,142	70,447	75,796
DEPT SOCIAL & REHAB SERVICES	18,472,143.75	22,079,291	23,698,086	25,267,796
DEPARTMENT OF FAMILY SERVICES	2,916,596.96	3,075,398	3,028,325	3,028,201
Total Deductions	925,280,022.72	996,208,453	1,064,758,451	1,076,425,173
LICENSES & PERMITS	76,188,571.78	76,426,303	81,623,104	83,049,308
TAXES	654,840,988.42	528,634,169	552,582,159	561,859,797
SERVICE FEES	30,224,350.10	106,083,441	105,295,430	109,537,007
INVESTMENT EARNINGS	3,191,275.52	2,557,851	2,483,726	2,266,710
FINES	2,639,751.01	2,372,413	2,362,654	2,412,654
REIMBURSEMENTS	19,966.70	32,602	24,145	23,645
SALE DOCUMENTS,MERCH,&PROPERTY	17,539,836.84	27,390,408	26,022,993	25,869,229
RENTALS,LEASES, & ROYALTIES	221,645.56	117,576	131,576	136,576
FIDUCIARY & TRUST	3,616,994.33	3,586,295	3,852,091	3,979,091
MISCELLANEOUS	1,108,399.74	1,150,067	972,971	990,493
GRANTS,GIFTS,BEQUESTS,DONATION	7,513,836.99	10,701,375	9,808,935	8,694,752
INCOME COLLECTIONS & TRANSFERS	129,980,827.41	235,501,354	259,001,086	265,474,593
FEDERAL ASSISTANCE	23,074,581.71	24,544,924	24,808,104	24,570,313
Total Additions	950,161,026.11	1,019,098,778	1,068,968,974	1,088,864,168
Beginning Fund Balance	162,215,335.50	190,726,848	213,617,173	217,827,696
Subtract Adjustments	$3,630,509.54-	0	0	0
Ending Fund Balance	190,726,848.43	213,617,173	217,827,696	230,266,691

Federal & Other Spec Rev Fund

	Actual FY 1994	Budgeted[2] FY 1995	Recommendation FY 1996	FY 1997
JUDICIARY	0.00	75,000	110,000	110,000
GOVERNORS OFFICE	336,375.12	502,771	1,284,222	1,286,305
STATE AUDITORS OFFICE	13,960,789.25	14,000,000	14,500,000	15,000,000
OFFICE OF PUBLIC INSTRUCTION	9,099,779.80	11,963,669	73,844,691	63,765,994
CRIME CONTROL DIVISION	3,961,416.81	4,434,051	4,449,500	4,464,500
HIGHWAY TRAFFIC SAFETY	889,013.72	2,952,208	4,510,578	4,512,578
DEPARTMENT OF JUSTICE	1,840,066.18	2,349,892	3,010,431	2,712,031
PUBLIC SERVICE REGULATION	21,837.29	28,168	28,168	28,168
COMMISSIONER OF HIGHER ED	9,058,949.94	9,821,329	14,964,310	15,237,769
SCHOOL FOR THE DEAF & BLIND	117,514.74	110,059	71,514	71,514
MONTANA ARTS COUNCIL	766,921.88	778,618	512,567	512,569
LIBRARY COMMISSION	742,297.68	1,722,257	2,071,545	461,545
VOCATIONAL EDUCATION COUNCIL	153,508.93	167,990	167,406	167,772
HISTORICAL SOCIETY	537,521.32	762,323	657,885	645,834
DEPT OF FISH, WILDLIFE & PARKS	9,575,913.35	13,039,956	11,514,591	10,974,984
DEPT HEALTH & ENVIRON SCIENCES	37,501,338.82	44,965,856	44,289,344	45,249,859
DEPARTMENT OF TRANSPORTATION	152,381,001.02	165,308,343	197,476,150	175,215,966
DEPARTMENT OF STATE LANDS	5,667,811.79	7,030,153	7,112,960	6,997,176
DEPARTMENT OF LIVESTOCK	313,497.10	366,705	319,968	331,557
DEPT NAT RESOURCE/CONSERVATION	1,444,757.24	14,168,980	1,137,075	1,128,683
DEPARTMENT OF REVENUE	196,689.42	197,359	232,383	232,406
DEPARTMENT OF ADMINISTRATION	61,792.12	41,167	946,918	646,851
LONG-RANGE BUILDING	4,221,216.13	0	0	0
DEPARTMENT OF AGRICULTURE	589,847.79	573,829	683,430	727,611
CORRECTIONS & HUMAN SERVICES	6,160,931.71	6,575,150	6,929,223	7,437,614

DEPARTMENT OF COMMERCE	24,900,129.20	31,096,847	34,642,682	32,669,575
LABOR & INDUSTRY	29,596,023.65	29,547,074	27,205,755	27,405,899
DEPT OF MILITARY AFFAIRS	4,263,221.73	4,713,185	8,683,845	7,978,654
DEPT SOCIAL & REHAB SERVICES	337,833,381.89	356,479,276	388,706,338	417,935,400
DEPARTMENT OF FAMILY SERVICES	18,477,816.25	23,987,432	23,657,404	22,866,418
Total Deductions	674,671,361.87	747,759,647	873,720,883	866,775,232
SERVICE FEES	2,638,445.77	1,748,480	2,801,780	2,842,357
INVESTMENT EARNINGS	1,328,146.99	1,086,166	1,132,022	1,062,596
FINES	342,000.75	355,000	509,000	350,000
REIMBURSEMENTS	2,211,516.58	1,566,430	1,793,775	1,754,314
SALE DOCUMENTS,MERCH,&PROPERTY	4,820.05	10,100	6,000 6,000	
FIDUCIARY & TRUST	0.00	0	0	0
MISCELLANEOUS	94,072.53	572,479	399,296	376,849
GRANTS,GIFTS,BEQUESTS,DONATION	285,199.37	3,070,610	56,390,844	59,666,808
INCOME COLLECTIONS & TRANSFERS	6,231,779.35	5,617,643	15,308,110	5,285,553
FEDERAL ASSISTANCE	666,358,443.29	769,861,387	850,236,031	824,678,863
Total Additions	679,494,424.68	783,888,295	928,576,858	896,023,340
Beginning Fund Balance	18,660,091.81	36,233,112	72,361,760	127,217,735
Subtract Adjustments	$12,749,957.94-	0	0	0
Ending Fund Balance	36,233,112.56	72,361,760	127,217,735	156,465,843

Capital Projects Fund

	Actual FY 1994	Budgeted[2] FY 1995	Recommendation FY 1996	FY 1997
DEPARTMENT OF STATE LANDS	27,352.00	61,669	0	0
DEPARTMENT OF ADMINISTRATION	1,951,918.00	1,670,537	1,746,901	1,730,101
LONG-RANGE BUILDING	5,614,701.24	71,854,077	53,882,000	53,882,000
Total Deductions	7,143,971.24	73,586,283	55,628,901	55,612,101
TAXES	2,152,067.37	2,129,375	2,140,145	2,150,969
SERVICE FEES	311,463.33	83,960	200,000	62,000
INVESTMENT EARNINGS	229,467.39	315,093	170,000	273,000
MISCELLANEOUS	0.00	500	80,000	80,000
INCOME COLLECTIONS & TRANSFERS	25,382,618.96	54,018,758	53,000,000	53,000,000
Total Additions	28,075,617.05	56,547,686	55,590,145	55,565,969
Beginning Fund Balance	$6,390,409.25	$27,391,859	$10,353,262	$10,314,506
Subtract Adjustments	$68,804.34-	0	0	0
Ending Fund Balance	$27,391,859.40	$10,353,262	$10,314,506	$10,268,374

Proprietary Fund

	Actual FY 1994	Budgeted[2] FY 1995	Recommendation FY 1996	FY 1997
SECRETARY OF STATES OFFICE	1,630,162.47	1,523,098	2,041,425	2,014,648
STATE AUDITORS OFFICE	186,468.57	198,292	980,113	1,005,634
OFFICE OF PUBLIC INSTRUCTION	1,060,500.39	1,096,180	1,051,670	1,057,183
DEPARTMENT OF JUSTICE	1,077,505.12	1,064,879	634,107	635,886
COMMISSIONER OF HIGHER ED	17,005,246.42	19,842,007	19,665,465	20,438,745
HISTORICAL SOCIETY	630,468.89	670,957	739,584	739,983
DEPT OF FISH, WILDLIFE & PARKS	2,008,553.42	2,419,614	2,496,443	2,138,542
DEPT HEALTH & ENVIRON SCIENCES	1,884,641.49	2,350,579	2,510,042	2,405,179
DEPARTMENT OF TRANSPORTATION	17,532,878.21	16,295,663	16,981,981	17,337,371
DEPARTMENT OF STATE LANDS	441,319.98	505,278	705,653	592,714
DEPARTMENT OF REVENUE	49,698,408.89	53,728,229	52,450,277	53,419,235
DEPARTMENT OF ADMINISTRATION	73,492,935.70	99,973,145	83,214,171	88,440,418
STATE COMPENSATION INS. FUND	214,901,836.63	179,307,667	149,095,178	152,855,070
LONG-RANGE BUILDING	60,109.21	0	0	0
DEPARTMENT OF AGRICULTURE	2,496,348.78	2,327,146	2,543,525	2,547,422
CORRECTIONS & HUMAN SERVICES	3,803,976.65	4,971,498	5,899,643	6,712,648
DEPARTMENT OF COMMERCE	85,114,965.32	46,514,702	44,981,958	44,888,588
LABOR & INDUSTRY	2,661,969.61	5,379,948	3,008,645	3,021,862
Total Deductions	475,688,295.75	438,168,882	388,999,880	400,251,128
LICENSES & PERMITS	2,433,523.55	2,426,500	3,259,662	3,287,230
TAXES	10,300,463.58	11,604,544	10,688,351	10,898,524
SERVICE FEES	98,447,492.81	99,777,512	104,479,092	110,160,032
INVESTMENT EARNINGS	67,037,293.78	18,626,390	23,661,053	23,846,375

FINES	1,982,579.69	1,713,504	705,000	705,000
REIMBURSEMENTS	3,875,573.82	6,206,283	5,101,211	4,869,980
SALE DOCUMENTS,MERCH,&PROPERTY	84,637,160.72	85,254,718	89,459,434	91,636,823
RENTALS,LEASES, & ROYALTIES	90,086.46	113,927	89,398	94,198
FIDUCIARY & TRUST	201,707,089.57	202,144,349	202,144,349	202,144,349
MISCELLANEOUS	443,539.07	379,436	374,136	374,136
GRANTS,GIFTS,BEQUESTS,DONATION	16,424.70	10,011	10,075	10,830
INCOME COLLECTIONS & TRANSFERS	82,148,371.41	81,875,582	81,449,695	80,519,025
FEDERAL ASSISTANCE	585,908.35	665,000	601,810	601,810
Total Additions	553,705,507.51	510,797,756	522,023,266	529,148,312
Beginning Fund Balance	$263,618,549.53-	$284,077,618-	$211,448,744-	$78,425,358-
Subtract Adjustments	98,476,280.48	0	0	0
Ending Fund Balance	$284,077,618.25-	$211,448,744-	$78,425,358-	50,471,825

Agency Fund

	Actual FY 1994	Budgeted[2] FY 1995	Recommendation FY 1996	FY 1997
OFFICE OF PUBLIC INSTRUCTION	48,451,731.52	54,248,966	0	0
Total Deductions	48,451,731.52	54,248,966	0	0
Total Additions	0.00	0	0	0
Beginning Fund Balance	$748.90	$115,806-	$0	$0
Subtract Adjustments	$48,335,176.35-	54,364,772-	0	0
Ending Fund Balance	$115.806.27	$0	$0	$0

Expendable Trust

	Actual FY 1994	Budgeted[2] FY 1995	Recommendation FY 1996	FY 1997
COMMISSIONER OF HIGHER ED	0.00	110,000	0	0
DEPARTMENT OF NAT RESOURCE	324,184.52	73,033	400,000	400,000
DEPARTMENT OF ADMINISTRATION	0.00	19,913	1,450,000	1,450,000
DEPARTMENT OF AGRICULTURE	95,922.37	0	0	0
Total Deductions	420,106.89	292,139	1,951,963	1,954,001
INVESTMENT EARNINGS	0.00	2,250	2,250	2,250
Total Additions	0.00	2,250	2,250	2,250
Beginning Fund Balance	$220,322,377.68	$429,820,125	$488,510,495	$641,393,909
Subtract Adjustments	$324,310,670.19-	0	0	0
Ending Fund Balance	$103,568,185.62	$103,278,296	$101,328,583	$99,376,832

Non-Expendable Trust

	Actual FY 1994	Budgeted[2] FY 1995	Recommendation FY 1996	FY 1997
PUBLIC EMPLOYEES RETIREMENT BD	1,149,485.27	1,144,642	1,341,170	1,175,809
TEACHERS RETIREMENT BOARD	649,065.20	651,988	716,120	699,894
DEPARTMENT OF COMMERCE	0.00	4,850,000	0	0
Total Deductions	1,798,550.47	6,646,630	2,057,290	1,875,703
INVESTMENT EARNINGS	0.00	65,337,000	154,940,704	158,524,569
Total Additions	0.00	65,337,000	154,940,704	158,524,569
Beginning Fund Balance	$273,627,216.83	$429,820,125	$488,510,495	$641,393,909
Subtract Adjustments	$157,991,459.05-	0	0	0
Ending Fund Balance	$429,820,125.41	$488,510,495	$641,393,909	$798,042,775

2.Continuing appropriation balances reported on the LASR system 8/1/94.

Economic Overview

The State of Montana's ability to finance the demands for state and local services, and the increasing needs for certain services, is dependent on the performance of the state, national and world economies. These conditions affect the revenues available to provide services, the cost of their provision and the demand for services.

The revenue estimates for the general fund and school equalization account were prepared by the Office of Budget and Program Planning for use in balancing the executive budget. State law requires the Revenue Oversight Committee to adopt a set of revenue assumptions for use during legislative deliberations. The committee has yet to begin the process of preparing its estimates and, hence, these estimates are unavailable for use in the executive budget. Nevertheless, the executive estimates will be presented to the committee as a reasonable and conservative set of estimates.

The following provides an overview of the key economic assumptions implicit in the executive revenue estimates. Additional detail is provided in the table that follows.

Total Personal Income -- Total personal income is the most commonly used measure of state economic performance. It is intended to measure the total income of the state's residents from wages and salaries; interest and dividends; rental receipts; farm income; and transfer payments.

Key components of personal income provide insights about the level of the personal income tax base and the ability of the state residents to consume taxable services. Total personal income is not directly used in the preparation of any revenue estimate. Estimates are required, however, in the calculation of the expenditure limit applying to general fund and state special appropriations.

Non-inflation adjusted total personal income growth is assumed to average 4.7% for calendar years 1994 through 1997. This rate of change is lower than the 7.4% average reported for the 1990 through 1993 period.

Total non-farm wage and salary income, the largest component of total personal income and the personal income tax base, is also assumed to grow by an average of 4.7% for calendar years 1994 through 1997. Actual reported growth for calendar years 1990 through 1993 averaged 7.0%.

Both income assumptions reflect the concern that the state will not be able to maintain the rapid growth experienced during the early 1990s. Rising interest rates and their potential impact on construction activity, secondary impacts from mill closures and potential slowing of in-migration into the state are major factors behind the concern.

Income Tax Simulation Base -- The individual income tax estimates are based on a sample of calendar year 1992 returns. Neither statistics nor a sample from the 1993 returns were available in time for their use in the executive estimates. Hence, important information to help explain strong collections in 1993 is not incorporated into the forecast. Significant changes are possible once this information becomes available and is incorporated into the estimates prior to the session.

Employment -- Total non-farm employment is projected to increase by 16,400 jobs from projected calendar year 1994 levels to 1997, or an average of approximately 1.6% per year. This rate of growth is about one-half of that experienced in the last two years, which includes increases in construction employment in excess of 10% per year.

Increases in service and trade employment are projected to offset declines in employment in the state's basic industries to produce the 16,400 net gain. Service and trade employment is anticipated to increase by 16,800 from 1994 to 1997, reflecting both state and national trends.

Manufacturing employment is expected to remain fairly constant after the reductions due to mill closures being included. Mining employment is projected to decline throughout the forecast period reflecting continued declines in oil and gas production and an uncertain future for metal mining. Likewise, construction employment is expected to fall from its projected 1994 peak due to increases in mortgage interest rates and slower in-migration into the state.

Interest Rates -- Recent actions by the Federal Reserve indicate a growing concern about inflation

resulting in the use of monetary policy to control inflationary pressures. As a result, interest rates are projected to increase by Wharton Economic Forecasting Associates (WEFA) each year in the forecast period. These forecasts form the basis of the interest rate estimates used to forecast interest earnings included in the executive estimate.

Short-term interest rates, which primarily affect earnings of the short-term investments that includes the treasury cash account, are expected to increase from 3.72% in FY94 to 5.36% by FY97.

Blended long-term rates similarly are forecast to increase each year. The average rate is anticipated to increase from a FY94 level of 7.3% to 7.85% by FY97.

The relatively low interest rates experienced during the last few years have resulted in significant revenues to the state bond investments through refinancing or "bond calls". The prospect of rising interest rates and the significant refinancing activity during the last few years are expected to produce reductions in this source of earnings. Lower bond call revenues and average yields imply absolute reductions in earnings for the state trust accounts relative to those enjoyed in the current and previous biennia.

Natural Resource Extraction -- The state has historically enjoyed significant revenues from the extraction of natural resources. While this revenue has declined significantly from the levels of the 1980s due to production, price and/or tax rate reductions, natural resources taxes are still an important source of state and local revenue.

The executive revenue estimates anticipate continued declines in the state oil production. Total oil production, given the forecast price levels, is assumed to decline by 5.5% per year. Oil prices are expected to increase throughout the period based on estimates prepared by the WEFA. The average state oil price is forecast to increase from $12.71 in calendar year 1994 to $16.78 in calendar 1997.

Coal production similarly is expected to decline through 1997 based on a survey of producers in the state. Taxable production should total approximately 37.4 million tons in calendar year 1994 and fall to 35.7 million tons by 1997. Mine officials responding to the survey typically include only production from their long-term contracts and ignore production from spot market sales, if any.

Coal prices, as measured by contract sales price, are assumed to remain fairly constant through 1997. An average price of $7.82 per ton is assumed for 1994, with declines of a nickel per ton by 1997. The following table presents the major assumptions used to prepare the executive revenue estimates.

Office of Budget and Program Planning
Major Economic Assumptions

CY/FY Year	CY/FY Series	Units	1994	1995	CY/FY 1996	CY/FY 1997
Population & Employment						
CY	MT Population July 1	Millions	0.843	0.847	0.852	0.856
CY	MT Population > = 15	Millions	0.654	0.662	0.670	0.677
CY	MT Non-Farm Employment	Thousands	332.6	338.0	343.4	349.1
Montana Income Indicators						
CY	Total Personal Income	Millions	15318.593	16053.885	16808.418	17564.797
CY	Non-Farm Wage & Salary	Millions	7221.213	7567.831	7923.519	8280.077
Individual Income Tax Indicators						
CY	Non-Farm Wage & Salary Growth	% Change	4.8%	4.8%	4.7%	4.5%
CY	Interest & Dividend	% Change	0.9%	1.7%	3.8%	3.1%
CY	Net Business	% Change	8.0%	8.0%	7.4%	6.9%
CY	Capital Gains/Losses	% Change	3.3%	3.2%	3.1%	3.1%
CY	Rent/Royalty/Partnership	% Change	8.5%	7.9%	7.3%	6.8%
CY	Other Income	% Change	10.2%	6.4%	6.6%	7.1%
FY	Individual Income Tax Audits	$ Million	8.785	8.785	8.785	8.785
Corporate Income Tax Indicators						
CY	US Corporate Profits Before Tax	$ Billion	481.300	521.000	568.400	580.900
CY	MT Taxable Income	$ Million	931.001	1018.431	1129.303	1121.755
FY	Corporate Income Tax Audits	$ Million	7.547	7.800	7.800	7.800

Inflation & Interest Rate Indicators

FY	Consumer Price Index	% Change	2.5%	3.1%	3.5%	3.6%
FY	Short Term Interest Rates	Percent	3.72%	4.54%	4.98%	5.36%
FY	Long Term Interest Rates	Percent	7.30%	7.52%	7.66%	7.85%
FY	TRANS Interest Spread	Percent	87.00%	87.00%	87.00%	87.00%
FY	Treasury Cash Average Balance	$ Million	243.925	264.986	269.740	270.509
FY	TRANS Issue Size	$ Million	88.900	70.000	70.000	70.000
FY	Permanent Trust Net Gains	$ Million	4.478	2.000	2.000	2.000
FY	Common School Trust Net Gains	$ Million	4.429	2.000	0.750	0.000
FY	Resource Indemnity Trust Net Gain	$ Million	1.122	0.250	0.250	0.250

Office of Budget and Program Planning
Major Economic Assumptions

Year	Series	CY/FY Units	CY/FY 1994	CY/FY 1995	CY/FY 1996	1997
Natural Resource Tax Indicators						
CY	Total Oil Production	Million B	16.483	15.577	14.720	13.911
CY	Severance Tax Oil Production	Million B	15.678	14.804	13.990	13.220
CY	Montana Oil Price	$/Bbl	12.710	13.720	15.250	16.780
CY	Total Coal Production	Million T	37.371	37.432	36.833	35.724
CY	Montana Coal Price	CSP/Ton	7.820	7.900	7.840	7.770
FY	Total Natural Gas Production	MMCF's	50.220	51.174	52.146	53.137
FY	Montana Natural Gas Price	$/gal	1.560	1.640	1.780	1.920
FY	Total Gas Liquid Production	M Gal	6.634	8.030	8.030	8.030
FY	Gas Liquid Price	$/gal	0.200	0.200	0.200	0.200
CY	Total Metal Mine Production Value	$ Million	323.017	348.826	326.975	351.292
Property Value Indicators						
FY	Total Taxable Value	$ Million	1731.948	1787.065	1837.102	1888.541
FY	Net/Gross Proceeds Taxable Value	$ Million	15.927	13.623	13.623	13.623
FY	All Other Taxable Value	$ Million	1716.021	1773.442	1823.479	1874.918
FY	Statewide Vehicle Value	$ Million	2645.436	2926.267	3218.894	3540.783
Consumption Tax Indicators						
FY	Liquor Division Net Sales	$ Million	38.639	39.964	40.437	41.233
FY	Liquor Division Budget	$ Million	6.861	7.400	6.531	6.554
FY	Beer Barrels	Millions	0.750	0.766	0.772	0.779
FY	Wine Liters	Millions	4.942	4.838	4.736	4.637
FY	Cigarette Packs	Millions	69.986	67.826	68.165	68.506
FY	Tobacco Value	$ Million	10.505	10.342	11.195	12.169
FY	Video Gaming Net Income	$ Million	199.361	211.322	224.002	237.442
FY	Total Lottery Sales	$ Million	37.483	37.409	37.597	37.784
FY	Insurance Premium Growth	% Change	7.74%	5.28%	4.65%	4.65%
FY	Insurance Premium Tax Credits	$ Million	4.053	3.007	2.463	2.463
FY	Police & Firemen Retirement Distr.	$ Million	8.752	9.267	9.809	10.387
FY	Telephone Taxable Income	$ Million	235.289	239.091	247.431	256.091
FY	Kilowatt Hours Produced	Millions	19838.250	21302.356	21325.239	22011.297
Other Indicators						
FY	Medicaid Reimbursements	$ Million	15.415	15.554	16.807	17.389
FY	MDC Bonding Debt Service	$ Million	0.000	0.000	0.472	1.090

Expenditure Limitation

An expenditure limitation statute was added to Montana's disbursement and expenditure laws by the 47th Legislature. This statute provides for an upper limit of total appropriations of the general fund, the state special revenue fund and the cash portion of the capital projects fund based on the growth in the personal income of the state's residents. The law is intended to prevent state government expenditures from "consuming" an ever increasing portion of the income of the state's residents. As will be shown in the following, the executive budget recommendation complies with the expenditure limitation.

Three calculations are required to implement this law:

1) The base appropriation level contained in the current biennium budget must be determined.
2) The percentage change in total personal income must be calculated. For purposes of this calculation, the average personal income for the three years preceding the current biennium are compared to the three year average preceding the next biennium.
3) The expenditure limitation is determined by applying the personal income growth to the base appropriation level. Recommended appropriation levels for the next biennium are compared to the expenditure limitation to determine compliance with the law.

Step 1 - Determine Base Appropriation Level

General fund, state special revenue and the cash portion of the capital project fund for the 1995 biennium, less certain adjustments for interest payments and governmental transfers as provided in 17-8-105, MCA, form the base appropriation level. The table below presents this calculation.

Base Appropriation Calculations
1995 Biennium
(In Millions)

1995 Appropriation	$ 3,031.5
Exclusions:	
Debt Service	69.7
Transfers	255.3
Base Expenditures	$ 2,706.5

Step 2 - Calculate Personal Income Growth
Data necessary to calculate personal income growth are provided below.

Since the average total personal income growth for the three years preceding the current biennium (1990, 1991 and 1992) is $12.670776 billion and the average for the three years immediately preceding the 1997 biennium (1992, 1993 and 1994) is $14.468351 billion, the growth in total personal income between the two periods is 14.19%. This percentage is the upper limit on appropriation growth for the 1997 biennium.

Personal Income Growth

Year	Personal Income (Billions)	Source
1990	$ 11.789751	Bureau of Economic Analysis
1991	12.753092	Bureau of Economic Analysis
1992	13.469485	Bureau of Economic Analysis
1993	14.616978	Bureau of Economic Analysis
1994	15.318590	Office of Budget & Program Planning

Step 3 - Calculate the Expenditure Limit and Compare with Recommended Appropriation Level

The final step in determining the expenditure limit for the 1997 biennium is multiplying the base appropriation total calculated in step 1 by the allowable growth figure determined in step 2 (14.19%). This yields the total amount that may be appropriated from the general fund, state special revenue fund, and cash portion of the capital fund during the 1997 biennium. The resultant figure - $ 3,090.4 million - is the maximum appropriation allowed.

As shown in the table below, the Executive Budget recommendation is within the appropriation limit.

(In Millions)

Expenditure Limitation	$ 3,090.4
Recommended General Fund Appropriation	1,381.5
Recommended Special Revenue Appropriation	2,109.3
Recommended Capital Projects Appropriation (Cash)	4.6
Total Appropriations	$ 3,495.4
Exclusions	513.8
Net Appropriations	$ 2,981.6
Expenditure Limitation Balance	$ 108.8

Compensation

In order to maintain an equitable and predictable salary system, state law provides for a market-based pay plan for state employees. The market rate is based on the average salaries paid by other employers in the relevant labor markets for similar jobs as determined by a salary survey conducted by the Department of Administration. The labor market surveyed in 1994 includes public and private sector Montana employers, and similar state government jobs in Idaho, Wyoming, North Dakota and South Dakota. Companies with the market-based pay system will not, however, require increased spending for personnel beyond that allocated for personnel in the present biennium. Increases in employee salaries, where appropriate to fulfill the requirements of the market based pay system, will be provided through reductions and savings in current expenditure for personnel.

The executive budget proposes that employees on the statewide pay plan receive an average salary increase of 2.3% in FY96 and 3.4% in FY97. Because of the way in which individual salary increases are calculated under the market-based pay system, however, the actual percentage increases received by employees would vary considerably. The method for determining individual salary increases is described below.

In addition to base salary increases, the executive budget proposes to increase the current statutory longevity formula from an additional .9% of an employee's base salary for each completed, contiguous five-year period of uninterrupted state service to 1.2% in FY96 and 1.5% in FY97. The budget proposal does not contain any increases in employer health insurance contributions, which would remain at $230 per month for each fiscal year.

The current statewide pay matrix contains 25 pay grades, or pay ranges, consisting of: (1) an entry rate, (2) a market (mid-point) rate, and (3) a maximum rate.

The executive budget proposes to retain the statutory FY95 entry, mid-point and maximum rates until October of 1996, at which time the entry and market rates would be increased by 2.5% to keep pace with expected labor market inflation, as presented in the following table.

The budget proposal establishes "target" market ratio increments from entry to market at each grade level, which corresponds to years of completed state service. (An employee's "market ratio" is determined by dividing the employee's current base salary by the "market rate" for the employee's pay grade.) There are more increments in lower grades than in higher grades. For example, there are five increments at grade five and ten increments at grade 20. Under the pay plan proposed in the executive budget, a newly-hired employee at grade five would progress from the entry rate to the market rate at a faster pace than a newly-hired employee at grade 20.

In order to determine individual salary increases for each year of the biennium under the executive budget proposal, employees' current market ratios and years of service are compared to the proposed "target increments" that correspond to the employee's grade level and years of service. If an employee's market ratio is less than the "target" market ratio, the employee receives the lesser of: (1) the market salary for the employee's grade, multiplied by the target ratio, or (2) the employee's current base salary, plus 6%. Employees whose current market ratios exceeded the "target ratios" would receive no regular progression increases; however, their salaries may be increased through the longevity allowance.

Finally, the executive budget proposes to establish a small pool of reserve funds that would be available to agencies to address pay equity problems that are unique to the agency or its employees.

The above pay adjustment calculations are effective on an employee's "anniversary date," or the day and month on which an employee began the most recent period of uninterrupted state service. The anniversary date for employees hired on or before September 30, 1994, is set at October 1. The proposed longevity formula adjustments are effective on the first day of the pay period that includes October 1 in each fiscal year.

Tables 1 and 2 are the proposed statewide pay schedules for FY96 and FY97 respectively. Also listed are examples of state jobs at each grade level. The proposed pay blue collar schedules, liquor store occupation schedules and institutional teacher schedules are not listed, but contain percentage salary increases, implemented in October of each fiscal year, that are similar to the average increases for employees covered by the statewide pay plan.

Fiscal Year 1996 Pay Matrix

Grade	FY 96 Entry	Mid-Point	Max.	Job Example
5	$11,727	$13,927	$16,127	File Clerk
6	$12,672	$15,086	$17,500	Laborer
7	$13,688	$16,334	$18,980	Accounting Clerk, Cook
8	$14,836	$17,747	$20,658	Administrative Support
9	$16,064	$19,262	$22,460	Clerk Supervisor
10	$17,424	$20,942	$24,460	Correctional Officer
11	$18,904	$22,775	$26,646	Administrative Assistant
12	$20,545	$24,812	$29,079	Program Specialist, Auditor
13	$22,325	$27,027	$31,729	Claims Examiner
14	$24,295	$29,485	$34,675	Environmental Specialist
15	$26,465	$32,196	$37,927	Programmer/Analyst
16	$28,885	$35,226	$41,567	Personnel Officer
17	$31,585	$38,613	$45,641	Civil Engineering Supervisor
18	$34,562	$42,355	$50,148	Bureau Chief
19	$37,897	$46,557	$55,217	Engineering Manager
20	$41,618	$51,254	$60,890	Division Administrator
21	$45,754	$56,487	$67,220	Deputy Director
22	$50,373	$62,343	$74,313	Division Administrator
23	$55,584	$68,963	$82,342	None at Grades 23-25
24	$61,434	$76,410	$91,386	
25	$67,907	$84,673	$101,439	

Fiscal Year 1997 Pay Matrix
(Effective October 1996)

Grade	Entry	FY96 Point	Mid-Max.	Job Example
5	$12,020	$14,275	$16,530	File Clerk
6	$12,989	$15,463	$17,938	Laborer
7	$14,030	$16,742	$19,455	Accounting Clerk, Cook
8	$15,207	$18,191	$21,174	Administrative Support
9	$16,466	$19,744	$23,022	Clerk Supervisor
10	$17,860	$21,466	$25,072	Correctional Officer
11	$19,377	$23,344	$27,312	Administrative Assistant
12	$21,059	$25,432	$29,806	Program Specialist, Auditor
13	$22,883	$27,703	$32,522	Claims Examiner
14	$24,902	$30,222	$35,542	Environmental Specialist
15	$27,127	$33,001	$38,875	Programmer/Analyst
16	$29,607	$36,107	$42,606	Personnel Officer
17	$32,375	$39,578	$46,782	Civil Engineering Superviso
18	$35,426	$43,414	$51,402	Bureau Chief
19	$38,844	$47,721	$56,597	Engineering Manager
20	$42,658	$52,535	$62,412	Division Administrator
21	$46,898	$57,899	$68,901	Deputy Director
22	$51,632	$63,902	$76,171	Division Administrator
23	$56,974	$70,687	$84,401	None at Grades 23-25
24	$62,970	$78,320	$93,671	
25	$69,605	$86,790	$103,975	

The proposed pay plan is funded this biennium through base level FTE and personal services reductions. General fund personal services reductions totalling $15.994 million over the biennium are included in the executive budget recommendation. These funds in turn are "reappropriated" in the executive budget to fund the compensation increases. The following table provides a summary of the personal services reductions included in the executive budget for pay plan funding.

Personal Services Reductions Included in Executive Budget by Agency and Fund

Agency	FY96 FTE	FY96 General Fund	FY96 Other	FY96 Total	FY97 FTE	FY97 General Fund	FY97 Other	FY97 Total
Legislative Auditor	0.00	0	0	0	0.00	0	0	0
LFA	0.00	0	0	0	0.00	0	0	0
Legislative Council	0.00	0	0	0	0.00	0	0	0
Environ Quality Council	0.00	0	0	0	0.00	0	0	0
Consumer Council	0.00	0	0	0	0.00	0	0	0
Judiciary	0.00	(58,736)	(21,336)	(80,072)	0.00	(58,985)	(21,409)	(80,394)
Governors Office	(2.50)	(105,006)	0	(105,006)	(2.50)	(105,382)	0	(105,382)
Sec of State	(1.00)	0	(48,099)	(48,099)	(1.00)	0	(48,414)	(48,414)
Com of Political Prac	0.00	0	0	0	0.00	0	0	0
State Auditor	(1.00)	(86,705)	(36,452)	(123,157)	(1.00)	(86,877)	(37,166)	(124,043)
OPI	0.00	(112,420)	(131,972)	(244,392)	0.00	(112,999)	(132,652)	(245,651)
Billings VoTech	0.00	(15,243)	0	(15,243)	0.00	(15,266)	0	(15,266)
Butte VoTech	0.00	(13,071)	0	(13,071)	0.00	(11,728)	0	(11,728)
GF VoTech	0.00	(20,135)	0	(20,135)	0.00	(20,376)	0	(20,376)
Helena VoTech	0.00	(19,526)	0	(19,526)	0.00	(20,380)	0	(20,380)
Missoula VoTech	0.00	(25,084)	0	(25,084)	0.00	(24,398)	0	(24,398)
Board of Crime Control	0.00	0	0	0	0.00	0	0	0
Highway Traffic Safety	0.00	0	0	0	0.00	0	0	0
Justice	(2.00)	(444,232)	(628,176)	(1,072,408)	(2.00)	(448,233)	(633,364)	(1,081,597)
PSC	0.00	0	(70,964)	(70,964)	0.00	0	(71,456)	(71,456)
Board of Public Ed	0.00	0	0	0	0.00	0	0	0
CHE	(9.75)	(40,248)	(227,810)	(268,058)	0.00	(40,306)	(228,565)	(268,871)
U of M	0.00	(491,247)	0	(491,247)	0.00	(501,437)	0	(501,437)
MSU	0.00	(467,924)	0	(467,924)	0.00	(470,255)	0	(470,255)
MT Tech	0.00	(109,453)	0	(109,453)	0.00	(109,970)	0	(109,970)
Eastern	0.00	(156,769)	0	(156,769)	0.00	(162,060)	0	(162,060)
Northern	0.00	(77,032)	0	(77,032)	0.00	(78,701)	0	(78,701)
Western	0.00	(53,575)	0	(53,575)	0.00	(54,752)	0	(54,752)
AES	0.00	(210,293)	0	(210,293)	0.00	(210,744)	0	(210,744)
Extension Service	0.00	(117,463)	0	(117,463)	0.00	(117,549)	0	(117,549)
Forestry & Cons Ex	0.00	0	0	0	0.00	0	0	0
MSDB	(2.41)	(136,504)	0	(136,504)	(2.41)	(136,685)	0	(136,685)
Arts Council	0.00	0	0	0	0.00	0	0	0
Library Commission	0.00	(37,030)	(7,259)	(44,289)	0.00	(37,308)	(7,314)	(44,622)
Vo Ed Council	0.00	0	0	0	0.00	0	0	0
Historical Society	(0.75)	(36,481)	(39,550)	(76,031)	(0.75)	(36,547)	(39,746)	(76,293)
Fire Services Training	0.00	0	0	0	0.00	0	0	0
FWP	(11.61)	0	(792,595)	(792,595)	(11.61)	0	(800,643)	(800,643)
DHES	(8.00)	(48,792)	(760,556)	(809,348)	(8.00)	(49,299)	(766,323)	(815,622)
Transportation	(88.00)	0	(3,243,974)	(3,243,974)	(88.00)	0	(3,264,642)	(3,264,642)
State Lands	(7.00)	(350,437)	(186,485)	(536,922)	(7.00)	(352,982)	(187,497)	(540,479)
Livestock	(3.00)	(28,607)	(166,164)	(194,771)	(3.00)	(28,616)	(167,514)	(196,130)
DNRC	(7.92)	(165,217)	(261,551)	(426,768)	(7.92)	(166,789)	(263,499)	(430,288)
Revenue	(6.75)	(840,934)	(231,029)	(1,071,963)	(6.75)	(844,749)	(232,328)	(1,077,077)
Administration	(6.92)	(100,397)	(428,934)	(529,331)	(6.92)	(101,057)	(436,107)	(537,164)
PERS	(1.50)	0	(50,765)	(50,765)	(1.50)	0	(50,944)	(50,944)
TRS	(0.50)	0	(16,763)	(16,763)	(0.50)	0	(16,887)	(16,887)
Agriculture	(5.00)	0	(164,829)	(164,829)	(5.00)	0	(165,315)	(165,315)
DCHS	(38.90)	(1,259,197)	(122,680)	(1,381,877)	(113.77)	(3,479,437)	(123,209)	(3,602,646)
Commerce	(16.00)	(4,946)	(554,327)	(559,273)	(16.00)	(5,163)	(558,556)	(563,719)
Labor	(30.50)	(4,228)	(1,028,146)	(1,032,374)	(30.50)	(4,319)	(1,034,970)	(1,039,289)
Military Affairs	(4.00)	(33,812)	(124,105)	(157,917)	(4.00)	(34,997)	(123,836)	(158,833)
SRS	(15.00)	(372,365)	(1,153,788)	(1,526,153)	(15.00)	(374,782)	(1,161,144)	(1,535,926)
DFS	(24.42)	(865,795)	(53,851)	(919,646)	(24.42)	(874,541)	(55,268)	(929,809)
Total	(294.43)	(6,908,904)	(10,552,160)	(17,461,064)	(359.55)	(9,177,669)	(10,628,768)	(19,806,437)

Executive Budget FTE Summary

Agency	Fiscal Year 1996 Base	Base Adj	New Prop	Total Recom'd	Fiscal Year 1997 Base	Base Adj	New Prop	Total Recom'd
Legislative Auditor	63.50	0.00	0.00	63.50	63.50	0.00	0.00	63.50
Legislative Fiscal Analyst	16.80	0.00	0.00	16.80	16.80	0.00	0.00	16.80
Legislative Council	42.97	0.00	2.00	44.97	42.97	5.17	2.00	50.14
Environmental Quality Council	6.50	0.00	0.00	6.50	6.50	0.00	0.00	6.50
Consumer Council	5.25	0.00	0.00	5.25	5.25	0.00	0.00	5.25
Judiciary	89.25	2.00	0.00	91.25	89.25	2.00	0.00	91.25
Governor's Office	49.25	0.00	(1.25)	48.00	49.25	0.00	(1.25)	48.00
Secretary of State's Office	37.30	0.00	7.50	44.80	37.30	0.00	7.50	44.80
Commissioner of Pol Practice	3.25	0.00	0.00	3.25	3.25	0.00	0.00	3.25
State Auditor's Office	74.75	0.25	(0.25)	74.75	74.75	0.25	0.00	75.00
Office of Public Instruction	139.23	(5.00)	4.00	138.23	139.23	(5.00)	1.00	135.23
Crime Control Division	19.00	0.00	2.00	21.00	19.00	0.00	2.00	21.00
Highway Traffic Safety	8.50	0.00	0.00	8.50	8.50	0.00	0.00	8.50
Department of Justice	665.70	(13.25)	20.00	672.45	665.70	(13.15)	20.00	672.55
Public Service Regulation	44.50	0.00	0.00	44.50	44.50	0.00	0.00	44.50
Board of Public Ed	4.00	0.00	0.00	4.00	4.00	0.00	0.00	4.00
School for the Deaf & Blind	81.68	0.00	(2.41)	79.27	81.68	0.00	(2.41)	79.27
Montana Arts Council	9.97	0.03	1.00	11.00	9.97	0.03	1.00	11.00
Library Commission	28.50	0.00	0.00	28.50	28.50	0.00	0.00	28.50
Montana Council on Vo-Ed	2.50	0.00	0.00	2.50	2.50	0.00	0.00	2.50
Historical Society	48.38	(0.25)	2.50	50.63	48.38	(0.25)	2.50	50.63
Dept of Fish, Wildlife & Parks	554.95	(3.58)	(6.91)	544.46	554.95	(3.58)	(6.16)	545.21
Dept of Health & Env Sciences	455.06	2.03	44.50	501.59	455.06	2.03	51.00	508.09
Dept of Transportation	1,933.75	11.65	(47.00)	1,898.40	1,933.75	11.65	(47.00)	1,898.40
Dept of State Lands	356.27	(5.91)	2.00	352.36	356.27	(5.91)	2.00	352.36
Dept of Livestock	122.71	1.00	(3.00)	120.71	122.71	1.00	(3.00)	120.71
Dept of Natural Resource & Con	240.42	(6.00)	(5.92)	228.50	240.42	(6.00)	(5.92)	228.50
Dep' of Revenue	684.14	(57.50)	21.75	648.39	684.14	(57.50)	21.75	648.39
Dept of Administration	313.51	(0.15)	0.08	313.44	313.51	3.85	0.08	317.44
Public Employee Retirement Board	22.00	(1.00)	(1.50)	19.50	22.00	(1.00)	(1.50)	19.50
Teachers Retirement Board	11.50	0.00	(0.50)	11.00	11.50	0.00	(0.50)	11.00
Dept of Agriculture	107.49	(1.66)	(4.67)	101.16	107.49	(1.66)	(4.67)	101.16
Dept of Corrections and Human S	1,882.05	(8.75)	66.20	1,939.50	1,882.05	(9.00)	(7.07)	1,865.98
Dept of Commerce	335.69	(0.88)	(3.00)	331.81	335.69	(0.88)	(3.00)	331.81
Labor & Industry	659.50	0.50	(24.00)	636.00	659.50	0.50	(24.00)	636.00
Dept of Military Affairs	98.94	(1.29)	(0.25)	97.40	98.94	(1.29)	(0.25)	97.40
Dept of Social & Rehab Services	944.45	45.50	(14.00)	975.95	944.45	45.50	(14.00)	975.95
Dept of Family Services	610.18	(30.00)	(12.92)	567.26	610.18	(31.50)	(6.42)	572.26
Non-MUS Total	10,773.39	(72.26)	45.95	10,747.08	10,773.39	(64.74)	(16.32)	10,692.33
Billings Vo-Tech	42.17	0.00	0.00	42.17	42.17	0.00	0.00	42.17
Butte Vo-Tech	32.81	0.70	0.00	33.51	32.81	0.70	0.00	33.51
Gt.Falls Vo-Tech	55.25	0.00	0.00	55.25	55.25	0.00	0.00	55.25
Helena Vo-Tech	51.91	(1.36)	0.00	50.55	51.91	(1.36)	0.00	50.55
Missoula Vo-Tech	62.91	0.23	0.00	63.14	62.91	0.23	0.00	63.14
Commissioner of Higher Ed	84.95	1.00	(9.75)	76.20	84.95	1.00	(9.75)	76.20
University of Montana	1,055.34	19.30	0.00	1,074.64	1,055.34	19.30	0.00	1,074.64
Montana State University	1,095.18	224.93	0.00	1,320.11	1,095.18	231.36	0.00	1,326.54
Montana Tech	253.15	2.11	0.00	255.26	253.15	2.11	0.00	255.26
Eastern Montana College	323.88	18.16	0.00	342.04	323.88	18.16	0.00	342.04
Northern Montana College	186.97	0.09	0.00	187.06	186.97	0.09	0.00	187.06
Western Montana College	117.53	(1.50)	0.00	116.03	117.53	(3.52)	0.00	114.01
Agriculture Experiment Station	231.80	(0.01)	0.00	231.79	231.80	(0.01)	0.00	231.79
Cooperative Extension Service	117.67	(0.09)	0.00	117.58	117.67	(0.09)	0.00	117.58
Forestry & Cons Exper Station	15.27	0.03	0.00	15.30	15.27	0.03	0.00	15.30
Fire Services Training	5.44	0.00	0.00	5.44	5.44	0.00	0.00	5.44
MUS Total	3,732.23	263.59	(9.75)	3,986.07	3,732.23	268.00	(9.75)	3,990.48
Grand Total	14,505.62	191.33	36.20	14,733.15	14,505.62	203.26	(26.07)	14,682.81

The table on the preceeding page summarizes all FTE changes, including the personal services reductions used to fund the pay plan. Despite increases of 254.37 FTE in FY96 and 269.32 FTE in FY97 in executive branch agencies (including elected officials) due to federal mandates, environmental requirements, court decisions, and other major executive budget initiatives, total executive branch FTE levels decline by 30.31 FTE in FY96 and by 90.23 FTE in FY97. FTE in legislative agencies increase by a net 2.00 FTE in FY96 and 7.17 FTE in FY97. FTE in the judiciary increases by 2.00 FTE per year. FTE in the University system increase by 253.84 FTE in FY96 and by 258.25 in FY97.

The Grade Change Report is in compliance with Section 17-7-123, MCA, which requires a report of pay grade changes that have occurred during the 1995 biennium. The report covers positions under the pay schedules adopted in 2-18-303, MCA. Positions exempt from these pay schedules are not included. The report includes data on the cost of the grade change and a reason for the grade change. The changes are from the period July 1, 1993, through July 22, 1994.

Only summary tables are included in this budget document. A list of positions that changed is available from the Office of Budget and Program Planning and the Legislative Fiscal Analyst.

The narrative below explains how to interpret the data in the report. The data for the Grade Change Report was compiled by the Classification and Pay Bureau, State Personnel Division, Department of Administration.

Costs

The cost associated with each grade change was calculated using the FY94 pay schedules established in 2-18-303, MCA. The cost of grade changes was calculated based only on the change in grade and is not related to incumbents or to whether the position was vacant during part of the reporting period. To ensure uniformity, all calculations were based upon the annual rate for the grade at the market rate in the pay schedule. The grade change was assumed to be effective at the beginning of each fiscal year. FTE information for each university system position is not readily available so all such positions were calculated on the assumption that each position is equal to 1.00 FTE.

Because of the methods of calculation and the assumptions used, the costs shown are not true costs for the biennium. The effect of the grade change reflects the annual increase or decrease for each position for FY96 and FY97 provided there are no further grade changes.

Reasons for Grade Changes

Grade changes are reported by the reason for the change. The explanation of reasons for grade changes are divided into three categories: agency management initiated; Classification Bureau initiated; and employee appeals.

To understand why grade changes occur, it is necessary to explain some of the basics of how the classification system works. One of the reasons for a classification system is to determine how an employee should be compensated for performing the work assigned to a position. Specific criteria such as complexity of work, accountability and responsibility are used to group positions into classes and to rank classes in a grade hierarchy from one to twenty-five.

The classifications of positions can and do change. There are two major reason why there is change: the assigned duties and responsibilities are changed or it is determined that the position was originally incorrectly classified.

Agency Management Initiated Actions

An agency can initiate an action to reclassify a position at anytime. These actions originate when an agency changes the duties and responsibilities of a position. Duties change because of reorganizations, changes in programs, changes in equipment, reductions in force and other related reasons. Usually when such a change occurs the resulting grade change is one or two grades within the same or similar class series. Some changes to positions result when the agency wants to use the position for a completely different purpose. An example of this is changing a clerical position into a lawyer position.

Many grade changes occur due to the administration of a class series career ladder. Some class series are administered in such a way that as a new employee gains experience and training, duties and responsibilities change. This results in the position being upgraded. This also works in reverse; when a upper level position becomes vacant, it is downgraded and filled at the entry level. Examples include civil engineers in the Department of Transportation, information systems specialists, bank examiners and data entry operators. The highway patrol officer series and teachers also are administered in a similar manner, except that the salient requirements to advance to a higher level are the results of collective bargaining.

In initiating reclassification actions, agencies are required to document the duties and responsibilities of a position on a position description form, provide justification and make a recommendation on what kind of change is wanted. Except for some delegated actions, the Classification and Pay Bureau staff in the State Personnel Division review agency requests to ensure that they meet classification criteria and approve all classification actions.

Classification Bureau Initiated Actions

MCA 2-18-203 provides that the Department of Administration shall continuously review all positions on a regular basis. On an ongoing basis, reviews are conducted in order to rewrite class specifications, to make changes and improvements in methodology, and to address problems in the administration of a particular class. Changes in positions result when it is determined that a position is in the wrong class or the grade of an entire class should be changed. The bureau also initiates reviews as a result of changes made through the appeals process. Occasionally a decision made in the appeals process has a "domino effect" on other positions.

Reviews conducted by the bureau can be viewed as an audit function that is important to ensure (1) the integrity of the classification system and (2) that agencies are administering the system correctly. Typically, when the bureau initiates a change, agencies are consulted and arrangements are made so that they can plan for and absorb the impact.

Appeals

An employee can initiate an action to change his/her classification by filing an appeal. The appeals process is administered by the Board of Personnel Appeals (BPA). The law allows employees to appeal the allocation of their position to a class. The grade of the class is not appealable (2-18-203, MCA).

When an appeal is filed the decision to change a position is made by the Classification Bureau (step two of the appeals process) or by the BPA (step three). When the BPA upgrades a position it is disagreeing with the Classification Bureau.

Summary
The explanation for each grade change is shown in the report as follows:

A. Agency Management Initiated Changes
1. Change in duties due to reorganizations, program changes, reduction in force, equipment changes, etc.
2. Different use of an FTE.
3. Administration of class series career ladders.
4. Administration of collective bargaining agreements
5. Other (correct errors, pay exceptions, etc)

B. Classification Bureau Initiated Changes.
1. Class series reviews and revision in classification methods.
2. Other (follow through on appeals, correct errors, etc)

C. Appeals
1. Changes made by the classification Bureau at Step 2.
2. Changes made by the BPA at Step 3.

The following tables summarize the grade changes.

Table 1: Agency summary of number of grade changes and changes as a percentage of FTE for the 95 biennium.

Table 2: Statewide summary of number of grade changes by reason for the 95 biennium.

TABLE I

Agency	FTE 06/30/94	1995 Biennium Upgrades #	Upgrades %	Downgrades #	Downgrades %	Net Cost 95 Biennium
Gov. Office	50.25	1	2.0%	0	0.0%	$7,742
Fish, W'life & Parks	601.24	97	16.1%	8	1.3%	$436,658
Health and Env Sci	457.83	20	4.4%	24	5.2%	($303,248)
Transportation	1,934.35	67	3.5%	30	1.6%	$187,370
State Lands	360.27	45	12.5%	7	1.9%	$586,432
Livestock	122.71	0	0.0%	3	2.4%	($31,598)
Nat Resr & Cons	246.92	26	10.5%	11	4.5%	$81,213
Revenue	782.14	115	14.7%	42	5.4%	$380,813
Administration	347.76	50	14.4%	17	4.9%	$125,365
Agriculture	109.21	17	15.6%	4	3.7%	$53,696
Correct & Human Serv	1,899.57	281	14.8%	34	1.8%	$1,142,804
Commerce	338.32	22	6.5%	18	5.3%	$25,752
Labor & Industry	709.26	55	7.8%	13	1.8%	$314,646
Military Affairs	99.56	4	4.0%	3	3.0%	($1,530)
Soc & Rehab Serv	347.70	196	56.4%	62	17.8%	$656,539
Family Services	611.42	154	25.2%	21	3.4%	$670,614
Secretary of State	37.30	0	0.0%	0	0.0%	$0

Comm Pol Prac	3.25	0	0.0%	0	0.0%	$0

Agency	FTE 06/30/94	1995 Biennium Upgrades #	%	Downgrades #	%	Net Cost 95 Biennium
State Auditor	74.75	9	12.0%	4	5.4%	$41,295
Office Pub Inst	139.23	10	7.2%	3	2.2%	$80,188
Brd Crime Control	19.00	0	0.0%	0	0.0%	$0
Hwy Traffic Safety	8.50	0	0.0%	0	0.0%	$0
Justice	667.45	47	7.0%	30	4.5%	$108,102
Public Service Comm	44.50	4	9.0%	2	4.5%	$10,826
Brd Pub. Ed.	86.68	0	0.0%	0	0.0%	$0
Mt. Arts Council	10.08	1	9.9%	0	0.0%	$3,032
State Library	36.52	1	2.7%	1	2.7%	($5,506)
Vo Ed Adv Council	2.50	1	40.0%	0	0.0%	$7,484
Historical Society	55.52	5	9.0%	0	0.0%	$21,218
TOTAL	10,148.27	1,228	12.1%	337	3.3%	$4,599,907
University System*	3,250.00	195	6.0%	59	1.8%	$665,853
* Number of Classified Positions						
State TOTAL	13,398.27	1,423	0.18	396	0.05	$5,265,760

TABLE 2

Summary of Changes by Reason

	Upgrades ***** 95 ***** #	%	Downgrades ***** 95 ***** #	%
A. Agency Initiated				
1. Changes in duties	924	64.9%	225	56.8%
2. Different use of FTE	84	5.9%	80	20.2%
3. Career ladder	54	3.8%	28	7.1%
4. Bargaining agreements	10	0.7%	1	0.3%
5. Other	14	1.0%	7	1.8%
Subtotal	1,086	76.3%	341	86.1%
B. Classification Bureau				
1. Class reviews	133	9.3%	50	12.6%
2. Other	2	0.1%	2	0.5%
Subtotal	135	9.5%	52	13.1%
C. Appeals				
1. Class. Bureau Step 2	147	10.3%	3	0.8%
2. Bd of Pers Appeals Step 3	55	3.9%	0	0.0%
Subtotal	202	14.2%	3	0.8%
Grand Total	1,423		396	

The executive budget recommends $16,473,275 of general fund supplemental appropriations in FY95. All supplemental requests are described below, organized by appropriations subcommittees. Most recommendations are contained in **HB3** requested by the OBPP, except that extraordinary fire suppression costs for the Department of State Lands are recommended in a separate bill (tentatively **HB14**) to enable immediate consideration of this supplemental. Likewise, the Cascade County property tax settlement supplemental appropriation for the Department of Justice is requested in in a separate bill (tentatively **HB16**).

General Government and Transportation - Section A

Secretary of State

Business & Government Services: Proprietary fund - $92,000 for publishing in seventy newspapers and providing work related to the four Constitutional Amendments and two Initiatives included in the general election.

Commissioner of Political Practices

Initiative No. 118: General fund - $54,900 for the workload increase and start-up expenses from passage of this initiative at the 1994 general election. The initiative is effective January 1, 1995.

Department of Transportation

McCarty Farms Litigation: General fund - $586,375 for expert witness services in connection with the McCarty Farms et. al. lawsuit against Burlington Northern. HB 2 contains language for the 1995 biennium which states, "The legislature recognizes that costs associated with the McCarty Farms litigation may exceed the appropriation...and in that event, the department will need to request a supplemental appropriation from the 1995 legislature to adequately represent the state." In FY94, after the biennial general fund appropriation of $99,500 was expended, the department expended an additional $315,000 from the highway special revenue account. $315,000 of the department's supplemental request would be used to repay this amount to the highway special revenue account.

Human Services - Section B

None

Natural Resources and Commerce - Section C

Department of State Lands

Fire Suppression: General fund - $12,700,000 is the projected amount required to pay the balance of the 1994 fire season costs, which totalled about $20.5 million. Reimbursements from the federal government totaling about $7,400,000 will be deposited in the general fund to help offset the impact of the supplemental. Final billing is anticipated during December, but adjustments are possible through March. Therefore, a $7 million general fund supplemental appropriation will be recommended in a separate bill to enable immediate legislative consideration due to severe cash flow needs of the department (tentatively HB14), and the balance will be requested in HB3.

Public Safety, Special Services & Cultural Education - Section D

Department of Justice

Highway Patrol: State special revenue - $436,000 from the highway account for the incarceration costs of prisoners in county detention centers paid pursuant to 7-32-2242, MCA.

Legal Services: General fund - $400,000 for the Crow coal and Blackfeet water rights cases.

County Attorney Payroll: General fund - $12,000 because state law requires the department of pay one half of county attorney salaries and the current appropriation did not anticipate the majority of counties approving cost-of-living increases.

Cascade County: General fund - $1,000,000 for the Cascade County property tax settlement in Woith v. Cascade County. During the January 1994 special session, language was added to HB2 which states in part, "...the department shall request a supplemental appropriation from the 1995 legislature for those payments." Due to severe cash flow problems, a separate supplemental bill solely for this settlement is being introduced (tentatively HB16).

K-12 Education and Higher Education - Section E

Office of Public Instruction

Transportation Aid: General fund - $1,720,000 is necessary to provide funds for state reimbursements of the FY95 school district transportation costs in accordance with the payment schedules set forth in 20-14-140 and 20-14-142, MCA.

Introduction

The Governor's 1997 Biennium Executive Budget differs from prior budgets as a result of greater emphasis on making state government services more responsible to stakeholders and as a result of changes due to passage and approval of HB7 and HB30 and language provisions in HB2. The budget recommendations for each state agency are presented in numerical order by Joint House/Senate Appropriations Subcommittees, based upon current information regarding restructuring portions of subcommittee workloads.

Specifically, agencies moved from general government section A to an expanded public safety focus in section D are the Judiciary, Departments of Justice and Military Affairs, Board of Crime Control, Highway Traffic Safety, and Chiropractic Legal Panel. Although the environmental services portions of the Department of Health and Environmental Sciences are to be acted on by the subcommittee on natural resources, the department per se remains in human services section B.

The recommended budget for each agency begins with a main table showing the total agency costs at first level and funding by type, followed by a summary total for each program operated by the agency. Agency mission statements are highlighted to assist the state in moving towards mission-driven budgeting. A table for each program, or primary function, of the agency follows.

Each program table shows the four-digit agency code, followed by the two-digit program code and the name of the division or program. The table shows the FY94 Base, which is the actual expenditures for the July 1, 1993-through-June 30, 1994, year from the general appropriations act and pay plan bill appropriations (HB2 and HB198, respectively), plus any other ongoing appropriations, minus one-time-only items which terminated or which the legislature specifically excluded from the base. [Total, unadjusted FY94 expenditures are presented later in this summary, together with FY95 appropriations and total budget recommendations for FY96 and FY97.] Certain FY94 Base information also has been adjusted for completed Executive Branch reorganizations or permanent program transfers, wherein the Governor approved moving FTE and authority among agencies or programs, with no increase in bottom line authority, to improve efficiency or effectiveness.

There are three FY96 columns and three FY97 columns: (1) Base Adjust, showing the net total adjustments recommended to the FY94 base; (2) New Proposals, showing the total of all initiatives, policy changes and significant revisions recommended by the Governor (or requested by the Legislative Branch); and (3) TOTAL, which is the FY94 base, plus or minus base adjustments, plus or minus new proposals.

Narrative following each program table briefly, in order: (1) summarizes the primary sources of present law mandates, which are much more completely described in the second volume appendix to the executive budget; (2) highlights the present law base adjustments by first level and significant items; (3) cites each new proposal by name and describes the intent and funding of the initiative or change to the service or program; and (4) provides funding information not obvious from the table per se.

Funding

The general policy followed in developing the budget was to ensure that all available funds are used prior to general fund commitments. State special revenue fee increases are recommended on a limited basis and were more favorably considered when there have been no increases over the last

two biennia and when the fees are paid by a group of identifiable users for a specific benefit. Federal special revenue may be excluded from the executive budget if the cost in matching or other commitments is too high. Maintenance of effort and matching rates were reviewed. Some shifts from general fund to other revenue sources are recommended. However, significantly higher shifts from state special revenue to general fund are recommended as the administration pursues a policy of returning the use of certain accounts to their original purposes, e.g., highway special revenue account and resource indemnity trust (RIT) interest account. Each of the approximately 700 accounting entities in state government were reviewed to identify balances available for appropriation and to ensure no budget recommendations resulted in negative balances.

Statutory Authorization, Goals and Objectives Printed Separately in Appendix
Substantive law states in 17-7-111(2)(d)(i): "The goals and objectives must contain a list of duties prioritized by the department director to reflect the director's opinion concerning the importance of the duties assigned to the agency by law. Any discretionary programs established by the agency that are not required by law also must be enumerated."

After dialogue with legislators who sponsored the amended law, it was determined that, at a minimum, each agency would be required to: (1) provide the statutory authorization for each program, at least including the significant MCA and U.S.C. references; and (2) list the goals for each program and the most significant objectives, prioritizing the goals with a 1 for highest priority, 2 for medium priority and 3 for lowest priority, with the notation "US" for each goal assigned to the agency by federal law and "MT" for those assigned by state law.

Agency goals, objectives, priorities and statutory authorizations are printed in the appendix of the executive budget essentially as written by each agency.

Present Law Base Adjustments

Adjustments to the FY94 actual expenditures were made in all agencies to arrive at the present law base budget adjustments (Base Adjust column) recommended for the 1997 biennium. The consistent adjustments for most state agencies are discussed below.

FTE
Full-time equivalent state employees (FTE) shown in the FY94 Base column reflect the total, actual level of FTE at the end of the year. Therefore, the FTE amount may include staff who were associated with one-time-only authority. Although the expenditures for one-time-only authority were removed from the base, the FTE were not. Therefore, in the few cases where FTE were associated with one-time appropriations, there is a negative FTE adjustment in the Base Adjust column without a corresponding negative adjustment for personal services expenditures.

Personal Services
Personal services were budgeted based on incumbent data as of the payroll period ending June 24, 1994, annualized, adjusted to reflect FY95 authorized FTE, and adjusted for the 1997 biennium costs and rates, explained below. For budgeting purposes, it is assumed subsequent increases will be offset by staff turnover and by replacement staff hired at a lower entry level.

Workers' Compensation and Unemployment Insurance rates vary from agency to agency. Each

agency has a different personal services benefit rate based on its own experience. FY95 rates were adjusted to projected FY96 and FY97 levels based on advice provided by representatives of the State Insurance Compensation Fund and the Department of Labor and Industry, respectively.

The employers contribution for retirement systems was maintained at the same rates as authorized for the 1995 biennium. The health insurance contribution remains at the $230 per month per employee rate adopted by the Fifty-third Legislature for FY95.

There are 2,080 hours in FY96 and 2,088 hours in FY97. Except for the approximately 5% personal services reductions for pay plan funding, personal services are fully funded based on these factors.

Inflation

A general, across-the-board inflation factor was not applied to agency budgets for the 1997 biennium. Instead, selected expenditure items were inflated by mutual agreement between the OBPP and the LFA. The table below lists the expenditure items that were adjusted and the rate of inflation/deflation that was applied to the FY94 actual expenditures. In general, these inflation factors are based on price level forecasts for certain commodity groups prepared by Wharton Economic Forecasting Service.

Inflation Adjustments Used in the 1997 Biennium Executive Budget

Expenditure Object	Object Name	FY96	FY97
Energy Related Inflation Items:			
2216	Gasoline	1.058	1.142
2242	Diesel Fuel	1.058	1.142
2297	Propane Vehicle Fuel	1.058	1.142
2601	Electricity		
	MDU Service Area	1.030	1.061
	MPC Service Area (Default)	1.102	1.158
2603	Natural Gas		
	MPC Service Area (Default)	1.082	1.125
	MDU Service Area	1.102	1.158
2604	Laboratory Gas	1.058	1.142
2607	Propane	1.058	1.142
2724	Oil	1.058	1.142
2731	Paint - Buildings	1.058	1.142
2732	Paint - Traffic Line	1.058	1.142
2738	Road Oil	1.058	1.142
2742	Oil Mixed Material	1.058	1.142
Food Items Inflated:			
2117	Board & Room	1.037	1.064
2145	Food Service Expense	1.037	1.064
2205	Food	1.037	1.064
2251	Meat	1.037	1.064
2252	Dairy	1.037	1.064
2253	Produce	1.037	1.064
2254	Bakery	1.037	1.064
2264	Grocery	1.037	1.064
2275	Poultry	1.037	1.064

2278 Beverages	1.037	1.064
2279 Red Meat	1.037	1.064
2288 Canned Goods	1.037	1.064
2289 Staples	1.037	1.064
2291 Sea Foods	1.037	1.064
2292 Pork	1.037	1.064
Proprietary Rate Items:		
2172 Computer Processing/DoA	0.900	0.880
2370 Telephone Equip Charge/DoA	0.870	0.870
2385 Long Distance Charge/DoA	0.930	0.870
2190 Printing/P&G	1.030	1.060
2193 Photocopy Pool Services	1.120	1.120
2404 In-state Motor Pool	1.370	1.520
Medical Inflation Items:		
2106 Lab Testing	1.102	1.165
2116 Medical Services	1.102	1.165
2118 Medical Services	1.102	1.165
2119 Dentistry	1.102	1.165
2170 Prescription Services	1.102	1.165
2208 Lab Equip & Supplies	1.102	1.165
2209 Medical & Hosp Supplies	1.102	1.165
2222 Drug	1.102	1.165
2265 Misc Medications	1.102	1.165
Postage & Mail		
2304 Postage & Mailing	1.077	1.103
Miscellaneous:		
2802 Subscriptions	1.038	1.072
2225 Books and Reference Material	1.038	1.072

Fixed Cost Items

Fixed cost items are those third-level objects of expenditures for which a schedule of fixed, agency-specific amounts are developed. Affected agencies then allocate these amounts to programs. There are nine fixed cost items:

Object	Fixed Cost Item
2104	DoA Insurance
2113	State Auditor Warrant Writing Fees
2114	DoA Payroll Service Fees
2122	Legislative Audit Fees
2174	DoA Data Network Fees
2307	DoA "Deadhead" Messenger Services
2527	DoA Rent
2770	FWP Grounds Maintenance
2895	DoA State Funds Cost Allocation Plan (SFCAP)

Insurance

The Department of Administration provides commercial and self-insured coverages for state agencies. The state self-insures for general, vehicle, and foster child liabilities, liquor

inventory losses, and reserves for property loss deductibles. Commercial policies are purchased covering property, boiler, fidelity bond, aviation, airport, inland marine, fine arts, and miscellaneous specialty coverages. Costs are allocated based on agency losses and inherent exposure. Total premiums increase from FY94 by 26% in FY96 and FY97 (the increase from premiums appropriated for FY95 is 3.1%). Costs for commercial premiums are projected to increase by about 40% over FY94 due to volatility in certain markets. Percentage changes for an individual agency will vary widely depending on loss experience and specific coverages provided.

Warrant Writing Fees

The Office of the State Auditor currently charges non-general funded programs for the costs of issuing state warrants. Costs allocable to general funded programs are supported by a direct general fund appropriation to the State Auditor. For the 1997 biennium, the executive budget proposes to allocate warrant writing fees to all programs regardless of funding source. Fees are allocated based on the number and type of warrants historically issued for each agency. For example, electronic funds transfers reflect a lower unit price than paper warrants. Adjusting for the change in funding mechanism, warrant writing fees implicitly increase from FY94 by 5.4% in FY96 and 13.0% in FY97. The increases are due primarily to higher postage costs.

Payroll Fees

The Department of Administration currently charges non-general funded programs for the costs of state payroll services. Costs allocable to general funded programs are supported by a direct general fund appropriation to the department. For the 1997 biennium, the executive budget proposes to allocate payroll fees to all programs regardless of funding source. Fees are allocated based on the number of payroll employees in each agency. Adjusting for the change in funding mechanism, payroll fees implicitly decrease from FY94 by 0.3% in FY96 and increase by 1.6% in FY97.

Audit Costs

The Office of Legislative Auditor charges fees to state agencies for the costs of financial-compliance audits. The executive budget contains the schedule of fees as provided by the Office of the Legislative Auditor and included in the executive budget. Audit fees are allocated to agencies on the basis of billable hours. Audit fees increase by 2% over 1995 biennium appropriations.

Data Network Fees

The Department of Administration charges agencies for costs associated with maintenance of the state data telecommunications network. Costs are allocated on the basis of the number of computer devices connected to the network, except for the Montana University System which is charged a percentage of department costs. Network fees decline from FY94 rates by 10% in FY96 and FY97. However, many agency budgets for network fees increase despite the rate reduction due to an increasing number of devices connected to the data network system.

Messenger Services

The Department of Administration charges fees for intrastate messenger services in the

Helena area ("deadhead" mail). Costs are allocated based on the number of units mailed. "Deadhead" mail rates do not change in the 1997 biennium from FY94 rates.

Capitol Complex Rent
The Department of Administration charges rent to state agencies which use office or warehouse space in buildings managed by the General Services Division in the capitol complex. The current charges are not truly rent insofar as they do not recover capital costs. The rental charge recovers such costs as utilities, custodial services, security, mechanical maintenance, and minor maintenance (e.g., painting, lighting, carpeting, etc.). Rental charges are allocated on the basis of square footage occupied for office or warehouse space. Charges for warehouse space do not change from FY94 rates. Charges for office space increase over FY94 rates by 22% in FY96 and by 26% in FY97. The increases are due primarily to the executive budget recommendation to fund major maintenance costs (e.g., replacement of roofs, heating systems, energy retrofits, etc.) from rental charges rather than long-range building funds. This change reduces general fund costs by allocating a portion of major maintenance costs to federal and other non-general fund sources.

Grounds Maintenance
The Department of Fish, Wildlife and Parks charges a fee to all agencies located in the capitol complex for grounds maintenance (lawn care, snow removal, etc.). Costs are allocated based on square footage of office space occupied. Grounds maintenance fees increase over FY94 by 0.3% in FY96 and decrease by 0.3% in FY97.

State Funds Cost Allocation Plan (SFCAP)
HB21, passed in the December 1993 special session, requires the Department of Administration to allocate a fair share of the costs of general fund statewide overhead costs for accounting, treasury, personnel, position control, and technical budgeting services to non-general fund/non-federal fund sources (primarily state special revenue and proprietary accounts). A separate cost allocation plan, the Statewide Cost Allocation Plan or SWCAP, which must be approved by the federal government is used to allocate such costs to federal programs. The assessments collected by the department are deposited to the general fund. Costs are allocated on the basis of indirect indicators of usage/benefit for each service. For example, treasury costs are allocated on the basis of the number of cash transactions; accounting costs are allocated on the basis of the number of SBAS transactions. The SFCAP was implemented in mid-FY94. Annualizing the FY94 assessments, the assessments for FY96 decrease by 0.2% while increasing by 3.7% in FY97.

Other Zero-Based Expenditures
In addition to the zero-based fixed costs, the following objects of expenditure also are zero based and required agency justification to remain in a recommended budget.

Expenditure Category	Description

Personal Services

11XX	Personal services costs provided by the OBPP and agreed to by the LFA. Categories such as overtime, differential pay and shift differential are requested and justified as zero-based.
13XX	Other compensation for board members and advisors who are reimbursed in accordance with substantive law are requested and justified based on membership and work plans.

Operating Expenses

2102	Consult & Prof Services
2146	Commissions
2169	Contracts with Non-Profits
2175	System Development/D of A
2176	System Development/Non-D of A
2310	Advertising-National
2311	Advertising-Radio
2528	Rent/Non-D of Adm Bldgs
2529	Rent/Non-State Bldgs
2750	Maintenance Contracts
2827	Indirect/Administrative Costs
2888	Statewide Indirect Costs
2889	Agency Indirect Cost

Other

3XXX	Equipment
4XXX	Capital Outlay
5XXX *	Local Assistance
6XXX *	Grants
7XXX *	Benefits & Claims
8XXX	Transfers
9XXX	Debt Service

* These categories are justified on specialized forms.

Additional expenditure category information of interest: Agency legal services rate is projected to remain $53 per hour; ARM filing fees rate is anticipated to remain $35 per page (specific object code 2168 was deleted from the SBAS Information Control Core [ICC]); and system development/Department of Administration rate is budgeted to increase to $42 per hour (object 2175). Equipment prices were taken from the term contract and price lists provided by the Procurement and Printing Division of the Department of Administration when possible.

Cost Allocation

Cost pools funded by allocating costs to more than one program within an agency were reviewed to ensure there were no additional management functions which could be included and thus reduce general fund. Efforts were made to ensure that the general fund is not picking up a disproportionate share of support services.

Statutory and Language Authority

FY94 actual expenditures, FY95 budgets, and 1997 biennium authority for statutory and language appropriations are shown agency-by-agency as part of the Budget Summary By Fund section of the executive budget preceding this section. Although 1997 biennium budgets have been prepared for all such authority, the general fund amounts are included in the balance sheet and none is shown in the program tables. Statutory and language authority is not appropriated in HB2 and is never combined with appropriations contained in HB2 or any other bills.

New Proposals for the 1997 Biennium

There are four different types of new proposals recommended in the executive budget, as summarized below.

1. **Executive Planning Process New Proposals** - Agencies, excluding the university system and legislative branch, requested 810 new proposals with 420.63 FTE, $94.8 million general fund and $169.8 other funds during the Executive Planning Process (EPP), which began last February and ended November 9, 1994. Thorough analysis of all requests and agency conferences to discuss goals and needs resulted in approval of new proposals with 325.73 FTE, $52.9 million general fund and $150.3 other funds.

2. **Personal Services Reductions** - There is a 5% reduction applied to all personal services funding in executive branch agencies. In response to the Governor's directive that salary increases be financed with personal services decreases, agencies developed a combination of jobs to be eliminated and positions to be held vacant by program. There is no 5% reduction applied in the legislative branch agencies. The judicial branch budget is printed as requested and with proposed personal services reductions. Each program reduction is summarized in the narrative.

3. **Performance-Based Budgeting Pilot Project** - Three state agency programs are participating in a performance-based budgeting (PBB) pilot project: the Central Mail program in the Department of Administration; the Air National Guard in the Department of Military Affairs; and the Natural Resources Information Service (NRIS) in the Montana State Library. The most important feature of the PBB pilot is that participating programs will define quantifiable measures for evaluating program performance in relation to its most important program goals, with specific targets to be achieved in each fiscal year of the biennium. These programs will be required to report semi-annually to the Office of Budget and Program Planning (OBPP) and the Office of the Legislative Fiscal Analyst on progress towards achieving performance targets. The results also will be reported to the legislature in subsequent sessions as actual performance is compared to established targets, and new targets are set for the next biennium.

 Performance measures are intended to provide additional information to decision makers in the appropriations process, providing a better understanding of the measurable results of government programs, particularly, but not necessarily, as a consequence of increases or decreases in budgetary resources. Performance measures provide a systematic evaluation for the legislature of the impact of budget and other management initiatives on program accomplishments.

In addition, in considering the agency's proposed, prioritized goals and associated performance measures of participating programs, the legislature can provide broad policy guidance to agency management in what the legislature would like to see state programs accomplish. Finally, performance measures are intended to be a management tool, to better focus management efforts in achieving their stated goals and objectives. It is expected that eventually, especially when reporting service efforts and accomplishments become required by the Governmental Accounting Standards Board, performance measures as reported by participating agencies will be subject to audit.

It is important to emphasize that achievement of performance targets is not an end in itself. There will often be good and valid reasons why performance targets are not achieved. An overemphasis on blind achievement of targets will tend to cause program management to develop meaningless, easily achievable performance measures and targets. The value of performance measurement is that it creates a process which constantly challenges state government programs to strive for excellence.

Officials of participating programs have been advised by the OBPP to develop performance measures on the basis of how they would like to assess their performance in the long run, not on the basis of whether supporting data is currently available. Consequently, participating programs may not have FY94 base year information for their performance targets. In addition, while performance measures should generally not change from biennium to biennium, it is expected that performance measures will evolve and be refined in the short run while participating programs gain experience.

Proposed language for the general appropriations act will require participating agencies to measure their program performance and to attempt to achieve stated targets, as outlined in the executive budget and/or LFA appropriations report. Participating agencies will also be required to provide semi-annual reports on their progress, with explanations of significant variances in target and actual performance.

The PBB pilot project will not differ from statutory budget development procedures. While programs participating in the PBB pilot are allowed a minor degree of flexibility in developing their present law base budgets, the process is consistent with all statutory budget definitions as established by HB7. Participating programs may make adjustments to the present law base which are otherwise not allowed if a compelling case can be made that such adjustments are necessary to maintain the level of program performance experienced in the base year. For example, ongoing functions appropriated by budget amendment in the base year generally are required to be presented as new proposals to the legislature in order to become a permanent part of an agency budget. The PBB pilot allows such ongoing budget amendments to be added to the present law base because this level of budgetary resources is consistent with the program performance in the base year.

4. **Budget Amendments Continuing into FY96 and FY97** - Some money which has been appropriated to various state agencies by budget amendments approved between regular legislative sessions is included as new proposals because it now appears the funds will become permanent or at least ongoing into the foreseeable future. Most budget

amendment funds are federal special revenue and these are appropriated in HB2, where they become part of the base budget for the next biennium, only when it appears they are likely to be relatively secure.

Public School Support

The state provides support to public schools in the form of direct payments to districts based on the numbers of students enrolled, guaranteed tax base aid based on the taxable value of the district, and categorical aid for programs such as special education, telecommunications, transportation, SIMMS, children in residential treatment, secondary vocational education, gifted and talented, school lunch, and driver's education. The largest aid programs, state direct aid and guaranteed tax base aid, are supported through the school equalization account (SEA). In addition the SEA provides funding for transportation, SIMMS, and telecommunications. Revenue estimates for the SEA are detailed in the previous section. Expenditures are detailed in the following table.

School Equalization Account
(expenditure in millions)

	FY94	FY95	FY96	FY97
Direct State Aid	$271.760	$267.316	$272.113	$275.831
Base GTB aid	111.490	114.944	118.978	120.770
Retirement GTB	17.085	18.571	20.148	21.366
Debt Service GTB	1.000	1.000	1.500	2.000
Transportation	3.908	3.914	3.908	3.908
Telecommunications	.177	.223	.200	.200
SIMMS	.500	.500	.500	.500
Other	.468	.678	.100	.100
Total	$406.388	$407.146	$417.447	$424.675

The primary factors affecting the cost of direct state aid and base GTB aid are enrollments and low spending districts increasing their spending to meet the equalization requirements of HB667.

Enrollments

Enrollments have increased significantly from FY92 to FY95 and are projected to rise further in the remainder of the century though at a lesser rate. The table below illustrates the growth in enrollment projected for the 1997 and 1999 biennia by the Office of Public Instruction. The large growth between FY94 and FY95 is partially due to the inclusion of full-time special education students in the count after FY94. As the table indicates, elementary enrollments are leveling off while highschool enrollments continue to rise.

Public School Enrollments

Year	Highschool	Elementary	Total
1992	41,890	106,579	148,469
1993	42,614	108,523	151,537
1994	45,457	111,497	156,954
1995	47,811	114,763	162,574
1996	49,713	114,748	164,461
1997	51,671	114,840	166,511

1998	53,489	114,670	168,160
1999	54,805	114,497	169,302

Budget projections are based on the most recent enrollment estimates available from the Office of Public Instruction as listed in the table above.

Equalization

Equalization of school expenditures per ANB among districts is accomplished under HB667 through minimum mandates and upper limits. Districts are required to be spending a minimum of the base amount for school equity (BASE) by FY98 with mandated increments to be accomplished each year. Districts which spend more than 25% over the BASE amount have their budgets frozen. State direct aid supports half of the BASE while state GTB aid subsidizes the other half; spending beyond the BASE level is not supported by state aid.

In FY94, of the public school students in the state, 34% were in districts that were spending at less than the BASE level, while 5% were in districts that were frozen. The remaining 61% were in districts spending between the BASE level and 125% of the BASE level. A FY94 report by the Legislative Fiscal Analyst cited that the disparity ratio between low and high spending districts was 1.93, high spending districts were spending nearly twice the level of low spending districts on a comparable basis. When the equalization required under HB667 is completed, the ratio will fall to 1.25 which is regarded by many as the level that will meet the constitutional mandate for equalization of school aid. A portion of the cost increases for base GTB aid results from districts which are spending below the BASE level increasing their spending levels.

Capital outlay equalization

An additional $1.5 million is provided in the 1997 biennium to expand the equalization of capital outlay from $1 million per year in the current biennium to $2 million per year by FY97. This aid provides support to districts based on their taxable value relative to the statewide average value per ANB for the retirement of bonded indebtedness. During the current biennium this aid is targeted on bonds sold after FY91. Statutes currently allow this aid to expand to all bonds beginning in FY96; however, in order to target aid on those districts facing problems from enrollment growth or deficient facilities, the administration recommends that this aid continue to be targeted on bonds issued after FY91. This will allow a gradual phasing in of this important equalization program.

Transportation

The budget includes an additional $2.1 million to cover increased pupil transportation costs. A supplemental appropriation of $1.72 million is requested in the supplemental appropriations bill to complete payments in the current biennium.

MISSION STATEMENT: Provide factual and objective information to the legislative and executive managers of the public trust. The Legislative Auditor is an agent for positive change in government by providing a uniquely independent view of the success of legislative policy implementation, agency management, and program operations in meeting the public's meets.

1101-01 AUDIT & EXAMINATION PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	63.50	.00	.00	63.50	.00	.00	63.50
Personal Services	2,292,729	231,134	0	2,523,863	243,142	0	2,535,871
Operating Expenses	218,527	46,854	0	265,381	51,664	0	270,191
Equipment	10,414	262	0	10,676	-1,264	0	9,150
Benefits and Claims	1,000	-1,000	0	0	-1,000	0	0
Total Agency Costs	**2,522,670**	**$277,250**	**$0**	**$2,799,920**	**$292,542**	**$0**	**$2,815,212**
General Fund	1,247,557	233,478	0	1,481,035	248,770	0	1,496,327
State Special Revenue Fund	1,275,113	43,772	0	1,318,885	43,772	0	1,318,885
Total Funding Costs	**2,522,670**	**$277,250**	**$0**	**$2,799,920**	**$292,542**	**$0**	**$2,815,212**

Present Law Mandates

The Legislative Audit Act in Title 5, Chapter 13, MCA, governs the office and Article V, Section 10(4) of the Mont. Const. mandates a legislative post-audit function.

Present Law Base

Personal Services - Base adjustments include an increase of $231,134 in FY96 and $243,142 in FY97 for annualization of staff salaries, adjusted benefits and tax rates, and replacement of FY94 vacancy savings. The FY94 base includes nearly $10,000 in termination payouts that are not budgeted for the 1997 biennium; however, the FY94 base does not include approximately $28,000 in present law personal services expenses charged to the HB667 appropriation for the audit of the Office of Public Instruction. This amount was charged to a one-time appropriation because of a technical error in the recording of general fund reductions made during the December, 1993 special session.

Operating Expenses - Net operating expenses increase by $46,854 in FY96 and $51,664 in FY97, primarily due to $12,000 for the biennial financial-compliance audit of the Legislative Branch and increases of $15,500 in FY96 and $28,000 in FY97 for consultant costs associated with audits and reviews. There are increases of about $12,000 per year for travel, $3,375 per year for recruiting costs, and minor adjustments for supplies, rent, printing and other items.

Equipment - FY94 equipment purchases were $10,414 and the requested amounts average $9,913 each year of the 1997 biennium. Replacement items include office equipment such as calculators, file cabinets, bookshelves, chairs, tables, microfiche readers, one typewriter and other items.

Benefits and Claims - The $1,000 expense in FY94 for property insurance deductible is not requested to continue.

Funding

The Office of the Legislative Auditor is funded with approximately 53% general fund and 47% state special revenue from audit fees charged to state agencies. These fees are assigned to agency budgets through the fixed cost allocation process.



GENERAL GOVERNMENT AND TRANSPORTATION

MISSION STATEMENT: To provide the legislature with information and fiscal analyses it needs to perform its constitutional duties of adopting a balanced budget, ensuring strict accountability for state funds, and overseeing the operations of state government.

1102-01 ANALYSIS AND REVIEW

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	16.80	.00	.00	16.80	.00	.00	16.80
Personal Services	696,636	32,641	0	729,277	37,408	0	734,044
Operating Expenses	70,220	18,324	0	88,544	31,466	0	101,686
Equipment	1,375	0	0	1,375	0	0	1,375
Total Agency Costs	**768,231**	**$50,965**	**$0**	**$819,196**	**$68,874**	**$0**	**$837,105**
General Fund	768,231	50,965	0	819,196	68,874	0	837,105
Total Funding Costs	**768,231**	**$50,965**	**$0**	**$819,196**	**$68,874**	**$0**	**$837,105**

Present Law Mandates
The general duties of the office are statutorily defined in Title 5, Chapter 3, MCA.

Present Law Base
Personal Services - Base adjustments are a net increase of $32,641 in FY96 and $37,408 in FY97, primarily for increased benefits and tax rates, offset by slightly more than $20,000 in termination payouts that are not budgeted for the 1997 biennium.
Inflation/Deflation & Fixed Costs - Pursuant to 17-7-122(2), MCA, which states, "Legislative branch requests must be included in the budget submitted by the governor without changes", the budget presented is as submitted. Net operating expenses increase by $8,324 in FY96 and $31,466 in FY97.
Data Processing - There is a FY96 only $10,000 operating expenses base adjustment increase for data processing costs related to the 1995 legislative session.
Equipment - The equipment purchase amount remains constant from the FY94 base to each year of the 1997 biennium.

Funding
The Legislative Fiscal Analyst is funded with general fund.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	42.97	.00	2.00	44.97	5.17	2.00	50.14
Personal Services	1,559,650	66,828	78,188	1,704,666	205,461	78,188	1,843,299
Operating Expenses	809,559	228,339	388,262	1,426,160	-107,048	440,592	1,143,103
Equipment	231,119	65,018	108,887	405,024	105,252	218,436	554,807
Total Agency Costs	**2,600,328**	**$360,185**	**$575,337**	**$3,535,850**	**$203,665**	**$737,216**	**$3,541,209**
General Fund	1,681,624	323,749	575,337	2,580,710	658,616	737,216	3,077,456
State Special Revenue Fund	918,704	36,436	0	955,140	-454,951	0	463,753
Total Funding Costs	**2,600,328**	**$360,185**	**$575,337**	**$3,535,850**	**$203,665**	**$737,216**	**$3,541,209**
Interim Studies & Conferences	47,176	286,016	0	333,192	286,016	0	333,192
Legislative Council	2,553,152	74,169	575,337	3,202,658	-82,351	737,216	3,208,017
Total Program Costs	**2,600,328**	**$360,185**	**$575,337**	**$3,535,850**	**$203,665**	**$737,216**	**$3,541,209**

MISSION STATEMENT: To provide quality staff support to the Montana Legislature and to fulfill its assigned duties.

1104-05 INTERIM STUDIES & CONFERENCES

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	2.47	.00	.00	2.47	.00	.00	2.47
Personal Services	10,561	26,913	0	37,474	26,913	0	37,474
Operating Expenses	36,615	259,103	0	295,718	259,103	0	295,718
Total Agency Costs	**47,176**	**$286,016**	**$0**	**$333,192**	**$286,016**	**$0**	**$333,192**
General Fund	47,176	286,016	0	333,192	286,016	0	333,192
Total Funding Costs	**47,176**	**$286,016**	**$0**	**$333,192**	**$286,016**	**$0**	**$333,192**

Present Law Mandates

Interim studies activities and interstate cooperation are authorized in Title 5, Chapters 2 and 3, MCA, respectively.

Present Law Base

Personal Services - Personal services increase primarily due to annualization of funding of legislator participation in interim activities, adjusted benefits and tax rates, and replacement of FY94 vacancy savings which became a significant factor in this program after special session actions.

Operating Expenses - More than 90% of the operating expenses are for travel and dues related to legislator expenses, participation in organizations promoting interstate cooperation, and direct costs associated with the conduct of interim studies. The requested budget is based on five interim committees holding an average of six meetings each.

Funding

The Legislative Council Interim Studies and Conferences Program is funded with general fund.

1104-10 LEGISLATIVE COUNCIL

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	40.50	.00	2.00	42.50	5.17	2.00	47.67
Personal Services	1,549,089	39,915	78,188	1,667,192	178,548	78,188	1,805,825
Operating Expenses	772,944	-30,764	388,262	1,130,442	-366,151	440,592	847,385
Equipment	231,119	65,018	108,887	405,024	105,252	218,436	554,807
Total Agency Costs	**2,553,152**	**$74,169**	**$575,337**	**$3,202,658**	**$-82,351**	**$737,216**	**$3,208,017**
General Fund	1,634,448	37,733	575,337	2,247,518	372,600	737,216	2,744,264
State Special Revenue Fund	918,704	36,436	0	955,140	454,951	0	463,753
Total Funding Costs	**2,553,152**	**$74,169**	**$575,337**	**$3,202,658**	**$-82,351**	**$737,216**	**$3,208,017**

Present Law Mandates

Legislative action each session related to the work of the council is authorized in Title 1, Chapter 11, parts 2 and 3, and Title 5, Chapter 11, MCA.

New Proposals

Legislative Branch Automation Plan - The request shown in the new proposals column above is comprised of two distinct parts: "Transfer" general fund of $257,571 in FY96 and $429,122 in FY97 from among the Legislative Branch agencies; and "new" general fund of $317,766 in FY96 and $307,854 in FY97.

The "transfer" request includes 2.00 FTE and $78,188 per year for personal services. The FTE and a portion of the personal services amount may be available for transfer from vacant FTE in the Office of the Legislative Auditor. The transfer request also includes operating expenses of $157,663 and $194,678 each year, respectively; and single user computers and network software of $21,720 and $156,256 each year. The request proposes funding transfers from other legislative agencies although transfers are not identified in the other agency requests.

The "new" funds proposal for the Legislative Branch network includes operating expenses of $230,599 in FY96 and $245,674 in FY97 comprised primarily of about $192,000 each year for non-Department of Administration system development, $10,000 each year for office supplies and $65,000 for the biennium for registration fees. The requested equipment costs are $87,167 in FY96 and $62,180 in FY97.

Present Law Base

Personal Services - Present law adjustments include an increase of approximately $49,000 per year for annualization of staff salaries, adjusted benefits and tax rates, and replacement of FY94 vacancy savings. There is $30,000 requested for legislative session overtime in FY97 which is the same amount appropriated for the 1995 session. This represents an additional $22,000 above FY94 during which the legislature met only briefly. The FY97 budget request also includes the 5.17 FTE and approximately $108,500 for staff who may be required during the 1997 Legislative Session.

Inflation/Deflation and Fixed Costs - Operating expenses decrease by $16,668 in FY96 and $18,376 in FY97 due to inflation/deflation and fixed costs adjustments. This reduction includes the transfer of certain data network charges to the legislative branch automation plan new proposal.

Operating Expenses - Base operating expenses decrease in net due to the transfer of certain base expenditures to the Legislative Branch automation plan new proposal outlined below. The increases include restoration of training and travel, and $25,000 for the law school drafting program in FY97 only. The law school drafting program was budgeted at this same level for both FY93 and FY95. All net adjustments, other than those associated with the Legislative Branch automation plan new proposal, stem from utilizing the current biennium appropriation allocations in building the 1997 biennium request.

Equipment - The request for equipment purchases is an increase of more than $65,000 in FY96 and $105,000 in FY97 over the FY94 base of $231,119. The request is predominantly for computer equipment and software.

Funding

The Legislative Council is funded with general fund and state special revenue which supports expenditures associated with biennial publication of the Montana Code Annotated and auxiliary reports.

Environmental Quality Council

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	6.50	.00	.00	6.50	.00	.00	6.50
Personal Services	234,890	28,765	0	263,655	29,104	0	263,994
Operating Expenses	51,171	7,148	0	58,319	4,902	0	56,073
Equipment	651	349	0	1,000	349	0	1,000
Total Agency Costs	**286,712**	**$36,262**	**$0**	**$322,974**	**$34,355**	**$0**	**$321,067**
General Fund	272,898	36,110	0	309,008	34,052	0	306,950
State Special Revenue Fund	13,814	152	0	13,966	303	0	14,117
Total Funding Costs	**286,712**	**$36,262**	**$0**	**$322,974**	**$34,355**	**$0**	**$321,067**
Environmental Quality Program	272,898	36,110	0	309,008	34,052	0	306,950
Water Policy Committee	13,814	152	0	13,966	303	0	14,117
Total Program Costs	**286,712**	**$36,262**	**$0**	**$322,974**	**$34,355**	**$0**	**$321,067**

MISSION STATEMENT: To effectively and efficiently meet statutory and other assigned responsibilities embodied in the Montana Environmental Policy Act and other relevant statutes and directives that will lead to informed decisions on state natural resource policy.

To enable the Water Policy Committee to effectively and efficiently meet statutory responsibilities assigned to the Water Policy Committee in 85-2-105, MCA, and 85-2-436, MCA.

1111-01 ENVIRONMENTAL QUALITY PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	6.25	.00	.00	6.25	.00	.00	6.25
Personal Services	230,662	28,974	0	259,636	29,313	0	259,975
Operating Expenses	41,585	6,787	0	48,372	4,390	0	45,975
Equipment	651	349	0	1,000	349	0	1,000
Total Agency Costs	**272,898**	**$36,110**	**$0**	**$309,008**	**$34,052**	**$0**	**$306,950**
General Fund	272,898	36,110	0	309,008	34,052	0	306,950
Total Funding Costs	**272,898**	**$36,110**	**$0**	**$309,008**	**$34,052**	**$0**	**$306,950**

Present Law Mandates

The Environmental Quality Council (EQC), created in 1971 to implement provisions of the Montana Environmental Policy Act (MEPA) in Title 75, Chapter 1, MCA, consists of two programs: 1) the EQC Program, responsible for the environmental quality goals established in MEPA; and 2) the Water Policy Committee Program, responsible for advising the legislature on state water policy. The Water Policy Committee utilizes EQC staff for support.

As in previous years, the 1997 biennium budget for the EQC is presented as submitted by the agency in accordance with section 17-7-122(2), MCA, and consists of general fund for normal operating costs and a resource indemnity trust reclamation and development account appropriation to fund the Water Policy Committee.

Present Law Base

Personal Services - Base adjustments include an increase of $28,974 in FY96 and $29,313 in FY97 to increase staff salaries to achieve equity with legislative branch agencies according to a proposed legislative pay plan.

Inflation/Deflation & Fixed Costs - Total operating expenses increase by $6,787 in FY96 and $4,390 in FY97 as a result of the fixed costs adjustments, inflation/deflation, $2,000 in FY96 for in-state personal car mileage increases due to the assumption that all EQC members will attend all meetings, and other increases include additional telephone charges and a maintenance agreement to use a donated facsimile machine. The cost decrease in FY97 is because there are fewer meetings during a session year

Equipment - Replacement of small office equipment, such as recorders and calculators, is requested.

1111-02 WATER POLICY COMMITTEE

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	.25	.00	.00	.25	.00	.00	.25
Personal Services	4,228	-209	0	4,019	-209	0	4,019
Operating Expenses	9,586	361	0	9,947	512	0	10,098
Total Agency Costs	**13,814**	**$152**	**$0**	**$13,966**	**$303**	**$0**	**$14,117**
State Special Revenue Fund	13,814	152	0	13,966	303	0	14,117
Total Funding Costs	**13,814**	**$152**	**$0**	**$13,966**	**$303**	**$0**	**$14,117**

Present Law Base

Personal Services - Base adjustments are a decrease of $209 in FY96 and FY97 due to a recalculation of salaries and benefits.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $361 in FY96 and $512 in FY97 as a result of the fixed costs adjustments, inflation/deflation, and minor budget changes.

MISSION STATEMENT: To represent the utility and transportation consuming public of the State of Montana in hearings before the public service commission or any other successor agency, and before state and federal courts and administrative agencies.

1112-01 ADMINISTRATION PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	5.25	.00	.00	5.25	.00	.00	5.25
Personal Services	271,583	12,940	0	284,523	13,955	0	285,538
Operating Expenses	579,480	141,922	0	721,402	158,534	0	738,014
Equipment	14,856	-12,583	0	2,273	-12,531	0	2,325
Total Agency Costs	**865,919**	**$142,279**	**$0**	**$1,008,198**	**$159,958**	**$0**	**$1,025,877**
State Special Revenue Fund	865,919	142,279	0	1,008,198	159,958	0	1,025,877
Total Funding Costs	**865,919**	**$142,279**	**$0**	**$1,008,198**	**$159,958**	**$0**	**$1,025,877**

Present Law Mandates

The Office of the Consumer Counsel was created by Article XIII, Section 2 of the 1972 Montana Constitution. The office is governed by Title 5, Chapter 15, MCA, and by Title 69, Chapters 1 and 2, MCA. The Consumer Counsel is charged with the duty of "representing consumer interests in hearings before the Public Service Commission or any other successor agency." The Consumer Counsel also may initiate, intervene in, or otherwise participate in appropriate proceedings in the state and federal courts and proceedings before federal administrative agencies on behalf of the public of Montana.

As in previous years, the 1997 biennium budget for the Consumer Counsel is presented as submitted by the agency in accordance with section 17-7-122(2), MCA, and consists of a base appropriation for normal operating costs and a $100,000 contingency appropriation each fiscal year for costs associated with unanticipated increased caseload.

Present Law Base

Personal Services - Base adjustments include an increase of $12,940 in FY96 and $13,955 in FY97 due to the pay plan, adjustments for longevity and employee benefits. Also there is an increase in personal services for committee members to cover anticipated days for which they will be reimbursed.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $41,922 in FY96 and $58,534 in FY97 as a result of the fixed costs adjustments, inflation/deflation, an increase for travel expenses increase of $7,232 in FY96 and $7,812 in FY97, and network charges for six smart devices.

Consulting and Professional Services - There is a $100,000 contingency appropriation each fiscal year for costs associated with unanticipated workload, consistent with budgets in prior biennia.

Equipment - Replacement of miscellaneous office furniture and cabinets is requested.

Funding

The sole funding source for the Consumer Counsel is a constitutionally-earmarked tax levied on all regulated entities under the Public Service Commission's jurisdiction. The tax rate can be revised quarterly as necessary to adjust for a cash carryover from the previous fiscal year, preventing the accumulation of a significant cash balance.

Governor's Office

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	49.25	.00	-1.25	48.00	.00	-1.25	48.00
Personal Services	1,806,892	276,723	-29,916	2,053,699	284,272	-27,206	2,063,958
Operating Expenses	544,954	322,221	-99,482	767,693	315,870	-100,833	759,991
Equipment	43,263	2,687	40,500	86,450	-12,563	5,000	35,700
Total Agency Costs	**2,395,109**	**$601,631**	**$-88,898**	**$2,907,842**	**$587,579**	**$-123,039**	**$2,859,649**
General Fund	2,212,686	334,529	1,492	2,548,707	319,786	-34,375	2,498,097
State Special Revenue Fund	117,977	129,937	-73,001	174,913	130,267	-72,997	175,247
Federal Special Revenue Fund	64,446	137,165	-17,389	184,222	137,526	-15,667	186,305
Total Funding Costs	**2,395,109**	**$601,631**	**$-88,898**	**$2,907,842**	**$587,579**	**$-123,039**	**$2,859,649**
Executive Office Program	972,499	418,296	-178,032	1,212,763	406,458	-193,236	1,185,721
Mansion Maintenance Program	51,369	5,864	0	57,233	5,631	0	57,000
Air Transportation Program	155,945	-25,677	0	130,268	-15,308	0	140,637
Office Of Bdget & Pgm Planning	787,263	125,109	25,500	937,872	106,560	5,000	898,823
Lt. Governor	168,913	54,899	63,634	287,446	55,862	65,197	289,972
Citizens Advocate Office	70,059	2,853	0	72,912	553	0	70,612
Mental Dis Bd Visitors	189,061	20,287	0	209,348	27,823	0	216,884
Total Program Costs	**2,395,109**	**$601,631**	**$-88,898**	**$2,907,842**	**$587,579**	**$-123,039**	**$2,859,649**

MISSION STATEMENT: To oversee and direct the activities of the executive branch of Montana state government, consistent with statutory and constitutional mandates, in a manner that provides necessary and affordable services to the citizens of Montana.

3101-01 EXECUTIVE OFFICE PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	20.50	.00	-1.25	19.25	.00	-1.25	19.25
Personal Services	732,522	178,659	-49,544	861,637	181,512	-49,717	864,317
Operating Expenses	208,214	254,810	143,488	319,536	242,309	-143,519	307,004
Equipment	31,763	15,173	15,000	31,590	17,363	0	14,400
Total Agency Costs	**972,499**	**$418,296**	**$-178,032**	**$1,212,763**	**$406,458**	**$-193,236**	**$1,185,721**
General Fund	883,522	149,359	19,969	1,052,850	137,191	4,761	1,025,474
State Special Revenue Fund	88,977	143,937	-73,001	159,913	144,267	-72,997	160,247
Federal Special Revenue Fund	0	125,000	-125,000	0	125,000	-125,000	0
Total Funding Costs	**972,499**	**$418,296**	**$-178,032**	**$1,212,763**	**$406,458**	**$-193,236**	**$1,185,721**

Present Law Mandates

The Montana Constitution establishes the Governor as the chief executive officer of the state. The Flathead Basin Commission is part of the Executive Office Program and exists as a state statutory mandate.

Present Law Base

Personal Services — Present law adjustments are attributable to annualization of the pay plan and benefits increases, a delay in filling positions in the Montana Community Service office during FY94, and other vacancy savings realized during the base year.

Inflation/Deflation and Fixed Costs — Non-discretionary operating expenses increase $43,835 in FY96 and $19,200 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Operating Expenses — The executive budget recommends that non-recurring expenses for contract services and for miscellaneous expenses totalling $8,000 be deleted from the base as present law adjustment decreases. Minor workload adjustments are recommended for FY97 because of the legislative session.

Flathead Basin Commission - Consulting and professional services for the Flathead Basin Commission increase by $68,000 each year. The commission has historically requested at least $70,000 per year in spending authority for donations, gifts, grants, and other revenue. Grants and donations are normally restricted to a specific purpose by the grantors/donors. Only the revenue received is expended; the balance of the authority is not used and is reverted.

Montana Community Services Act - Operating expenses for the Office of Community Service increase by about $145,000 each year. The increase relates to federal administrative funds expended in FY94 but excluded from the base because they were charged to a statutory appropriation. Annualization of low start-up year expenses also contributes to the increase.

Equipment - Decreases of $15,173 in FY96 and $17,363 in FY97 are recommended for replacement equipment.

New Proposals

Personal Services Reductions — The Governor's Executive Office Program will reduce its staff by 1.50 FTE and $61,029 general fund in FY96 and $61,246 general fund in FY97 to provide adequate funding for the proposed 1997 biennium pay plan.

Equipment — The program recommendation is for $15,000 in FY96 only for development of a database and optical scanning system to manage the large volume of correspondence received each year. This proposal will allow purchase of software to track, file, and retrieve all paper records which are currently handled manually.

Montana Consensus Council (MCC) — The Montana Consensus Council was established by the 1993 Legislature to avoid litigation in disputes relating to natural resource issues through mediation and a consensus-building process. The 1.75 FTE staff, together with associated operating expenses are recommended to continue this function in the 1997 biennium. The proposal is funded with $66,000 per year from the general fund and $22,000 per year in state special revenue generated from MCC activities.

Montana Community Service Act (MCSA) — House Bill 660 in the 1993 Legislature created the Office of Community Service in the Governor's Office. The office administers funds received under the federal National and Community Services Trust Act, as well as state special revenue appropriated for community service projects. This proposal transfers the office, 1.50 FTE, and $220,000 each year to the Department of Labor and Industry.

Funding

Funding for the executive office is from the general fund and state special revenue cost recovery. The Flathead Basin Commission is funded with state special revenue from the renewable resources grant and loan account, and from donations, gifts, and grants. The Montana Community Services Act, proposed to be transferred to the Department of Labor and Industry, is funded with state special revenue and federal special revenue. The Montana Consensus Council continuation proposal consists of general fund and state special revenue support.

3101-02 MANSION MAINTENANCE PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	1.50	.00	.00	1.50	.00	.00	1.50
Personal Services	32,317	3,512	0	35,829	3,638	0	35,955
Operating Expenses	19,052	637	0	19,689	893	0	19,945
Equipment	0	1,715	0	1,715	1,100	0	1,100
Total Agency Costs	**51,369**	**$5,864**	**$0**	**$57,233**	**$5,631**	**$0**	**$57,000**
General Fund	51,369	5,864	0	57,233	5,631	0	57,000
Total Funding Costs	**51,369**	**$5,864**	**$0**	**$57,233**	**$5,631**	**$0**	**$57,000**

Present Law Mandates

The Mansion Maintenance Program exists to maintain the official residence of the chief executive and is a discretionary function.

Present Law Base

Personal Services — Present law adjustments are attributable to annualization of the pay plan and employee benefit rate adjustments.

Inflation/Deflation and Fixed Costs — Non-discretionary operating expenses increase $637 in FY96 and $893 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Equipment - Increases of $1,715 in FY96 and $1,100 in FY97 are recommended for replacement equipment.

3101-03 AIR TRANSPORTATION PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	1.00	.00	.00	1.00	.00	.00	1.00
Personal Services	31,619	1,684	0	33,303	1,801	0	33,420
Operating Expenses	124,326	-27,446	0	96,880	-17,109	0	107,217
Equipment	0	85	0	85	0	0	0
Total Agency Costs	**155,945**	**$-25,677**	**$0**	**$130,268**	**$-15,308**	**$0**	**$140,637**
General Fund	126,945	-11,677	0	115,268	-1,308	0	125,637
State Special Revenue Fund	29,000	-14,000	0	15,000	-14,000	0	15,000
Total Funding Costs	**155,945**	**$-25,677**	**$0**	**$130,268**	**$-15,308**	**$0**	**$140,637**

Present Law Mandates

The Air Transportation Program exists to operate and maintain the safety of the Governor's assigned aircraft and is a discretionary function.

Present Law Base

Personal Services — Present law adjustments are attributable to annualization of the pay plan and employee benefit rate adjustments.

Inflation/Deflation and Fixed Costs — Non-discretionary operating expenses increase $4,343 in FY96 and $5,625 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Aircraft Maintenance - Aircraft maintenance expenses decrease by $30,484 in FY96 and $22,784 in FY97 because no extensive maintenance work is due in either year of the 1997 biennium. FY94 expenses included "hot sections" engine work and propeller overhaul.

Equipment - There is $85 recommended in FY96 for computer software replacement.

Funding

Funding is provided by the general fund and state special revenue from rental of the aircraft to other state agencies.

3101-04 OFFICE OF BDGET & PGM PLANNING

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	16.25	.00	.00	16.25	.00	.00	16.25
Personal Services	670,172	37,522	0	707,694	40,699	0	710,871
Operating Expenses	113,232	74,086	0	187,318	56,820	0	170,052
Equipment	3,859	13,501	25,500	42,860	9,041	5,000	17,900
Total Agency Costs	**787,263**	**$125,109**	**$25,500**	**$937,872**	**$106,560**	**$5,000**	**$898,823**
General Fund	787,263	125,109	25,500	937,872	106,560	5,000	898,823
Total Funding Costs	**787,263**	**$125,109**	**$25,500**	**$937,872**	**$106,560**	**$5,000**	**$898,823**

Present Law Mandates

The Office of Budget and Program Planning (OBPP) Program exists as a result of several state mandates. For example, 17-7-101 to 17-7-132, MCA, provides that the Governor shall appoint a budget director who may employ such other personnel as necessary to comply with the prescribed form, content, and timelines for budget development, the pay plan proposal, and submission to the legislature.

Present Law Base

Personal Services — Present law adjustments are attributable to annualization of the pay plan, benefits and longevity increases, and vacancy savings realized during the base year.

Inflation/Deflation and Fixed Costs — Non-discretionary operating expenses increase $14,086 in FY96 and $21,820 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Consulting and Professional Services — Increases of $60,000 in FY96 and $35,000 in FY97 are recommended for contracted services to address two critical needs. First, further automation of the executive budget system and the legislative appropriation and revenue estimate systems is recommended to create a database system for use by all state agencies. This proposal will significantly reduce manual processes, the exchange of paper forms, and will improve accuracy and reduce errors. The database will also simplify budget development tasks and aid the biennial audit work of the Office of the Legislative Auditor.

The other need will be met by providing authority for temporary peak workload assistance to meet the new and ongoing demands on the office such as the incentive and carryover provisions of SB32, the phase-in of performance-based budgeting projects, and improvements in the fiscal note preparation process.

Equipment - Recommended increases provide for a replacement printer, replacement of personal computers, and software upgrades.

New Proposals

Equipment: Scanner and Optical Media Storage — A scanner and an optical disk drive are recommended as part of a paper flow management system for the Governor's Office. The Office of Budget and Program Planning is responsible for central computer network acquisitions and maintenance for the entire Governor's Office; therefore, the proposal is presented under this program. The recommended amount is $15,000 in FY96 only.

Equipment: Laptop/Portable PCs — This request would provide for three laptop computers in FY96 and two in FY97. Staff will be able to use these computers in hearings and meetings to increase productivity. There is $7,500 is recommended in FY96 and $5,000 in FY97.

Equipment: Fax Machine — The Office of Budget and Program Planning currently does not have a fax machine. Quick communication with other departments and the public has become an integral part of the operations of other government agencies and private sector enterprises. There is $3,000 recommended in FY96 only.

Funding

Funding is provided by the general fund. Certain costs of this program are included in the Statewide Cost Allocation Plan (SWCAP) and the State Funds Cost Allocation Plan (SFCAP) administered by the Department of Administration that recover indirect costs from non-general fund sources through charges to all state agencies.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	4.00	.00	.00	4.00	.00	.00	4.00
Personal Services	127,096	47,677	19,628	194,401	48,128	22,511	197,735
Operating Expenses	37,321	6,578	44,006	87,905	9,930	42,686	89,937
Equipment	4,496	644	0	5,140	-2,196	0	2,300
Total Agency Costs	**168,913**	**$54,899**	**$63,634**	**$287,446**	**$55,862**	**$65,197**	**$289,972**
General Fund	168,913	54,899	-43,977	179,835	55,862	-44,136	180,639
Federal Special Revenue Fund	0	0	107,611	107,611	0	109,333	109,333
Total Funding Costs	**168,913**	**$54,899**	**$63,634**	**$287,446**	**$55,862**	**$65,197**	**$289,972**

Present Law Mandates

The Lieutenant Governor's Office is authorized by the Montana Constitution and has certain statutory duties in addition to those delegated by the Governor.

Present Law Base

Personal Services — Present law adjustments are attributable to annualization of the pay plan, benefits and longevity increases, and vacancy savings realized during the base year.

Inflation/Deflation and Fixed Costs — Non-discretionary operating expenses increase $2,732 in FY96 and $3,910 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Equipment - Recommended replacement equipment provides an increase of $644 in FY96 and a decrease of $2,196 from the FY94 base. Equipment planned for replacement includes personal computers and a fax machine.

New Proposals

Personal Services Reduction — The Lieutenant Governor's Office will reduce its authorized staff by 1.00 FTE and about $44,000 each year to provide adequate funding for the proposed 1997 biennium pay plan. The reduction is made to the general fund.

Montana Rural Development Council - The Montana Rural Development Council, funded by the U.S. Department of Agriculture, was added to the Lieutenant Governor's Office by budget amendment in FY95. The program had been a part of the federal system until July, 1994, as the State Rural Development Councils were key elements of the President's Initiative on Rural America. The purpose of the council is to coordinate all federal, state, tribal, local governments, and private sector efforts in rural development activities, emphasizing local priorities. There is representation on the Montana council from the Governor's Office, federal, local and tribal governments, and the private sector. The proposal will add 1.00 FTE and total federal funds of $107,611 in FY96 and $109,333 in FY97 above the FY94 base.

Funding

Funding is provided by the general fund. The Montana Rural Development Council is federally funded.

3101-16 CITIZENS ADVOCATE OFFICE

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	1.50	.00	.00	1.50	.00	.00	1.50
Personal Services	56,347	1,263	0	57,610	1,477	0	57,824
Operating Expenses	13,712	-880	0	12,832	-924	0	12,788
Equipment	0	2,470	0	2,470	0	0	0
Total Agency Costs	**70,059**	**$2,853**	**$0**	**$72,912**	**$553**	**$0**	**$70,612**
General Fund	55,831	2,081	0	57,912	-219	0	55,612
Federal Special Revenue Fund	14,228	772	0	15,000	772	0	15,000
Total Funding Costs	**70,059**	**$2,853**	**$0**	**$72,912**	**$553**	**$0**	**$70,612**

Present Law Mandates

The Citizens Advocate Office Program exists to provide accessibility to state government for Montana citizens and is a discretionary function.

Present Law Base

Personal Services — Present law adjustments are attributable to annualization of the FY95 pay plan, and employee benefit rate and longevity adjustments.

Inflation/Deflation and Fixed Costs — Non-discretionary operating expenses decrease by $1,702 in FY96 and $2,471 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Equipment - Replacement equipment in the amount of $2,470 in FY96 only is recommended for replacement of a personal computer.

Funding

Funding is provided by the general fund and federal funds from the share of services provided to the Departments of Social and Rehabilitation Services and Family Services.

3101-20 MENTAL DIS BD VISITORS

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	4.50	.00	.00	4.50	.00	.00	4.50
Personal Services	156,819	6,406	0	163,225	7,017	0	163,836
Operating Expenses	29,097	14,436	0	43,533	23,951	0	53,048
Equipment	3,145	-555	0	2,590	-3,145	0	0
Total Agency Costs	**189,061**	**$20,287**	**$0**	**$209,348**	**$27,823**	**$0**	**$216,884**
General Fund	138,843	8,894	0	147,737	16,069	0	154,912
Federal Special Revenue Fund	50,218	11,393	0	61,611	11,754	0	61,972
Total Funding Costs	**189,061**	**$20,287**	**$0**	**$209,348**	**$27,823**	**$0**	**$216,884**

Present Law Mandates

The Mental Disabilities Board of Visitors Program was created by the Developmental Disabilities Act of 1975 and the Mental Commitment and Treatment Act of 1975 and exists as a state mandate.

Present Law Base

Personal Services — Present law adjustments are attributable to annualization of the FY95 pay plan, and employee benefit rate and longevity adjustments.

Inflation/Deflation and Fixed Costs — Non-discretionary operating expenses increase by $1,283 in FY96 and $1,739 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Operating Expenses - Various operating expense increases reflect the program site review schedule and the anticipated amount of federal grant funds.

Equipment - Replacement equipment decreases of $555 in FY96 and $3,145 in FY97 are recommended.

Funding

Funding is provided by the general fund and federal grant funds for legal protection and advocacy for patients in Montana institutions for the mentally ill and developmentally disabled.

MISSION STATEMENT: To maintain a central filing point for business registrations, uniform commercial code financing statements, including agricultural products in accordance with the Federal Food Security Act of 1985, notary public registrations as well as provide efficient and cost effective records management services, including the official records of the executive branch and the acts of the legislature. The office serves as the central filing and publication source for the Administrative Rules of Montana and the Montana Administrative Register. The Secretary of State serves as Montana's chief election official and is responsible for the application, operation, and interpretation of elections laws.

3201-01 BUSINESS & GOVERNMENT SERVICES

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	37.30	.00	7.50	44.80	.00	7.50	44.80
Personal Services	964,664	12,441	154,787	1,131,892	16,672	155,155	1,136,491
Operating Expenses	617,062	194,893	69,542	881,497	141,444	71,986	830,492
Equipment	76,062	-41,407	30,500	65,155	-40,907	50,000	85,155
Total Agency Costs	1,657,788	$165,927	$254,829	$2,078,544	$117,209	$277,141	$2,052,138
General Fund	40,309	-3,190	0	37,119	-2,819	0	37,490
Proprietary Fund	1,617,479	169,117	254,829	2,041,425	120,028	277,141	2,014,648
Total Funding Costs	1,657,788	$165,927	$254,829	$2,078,544	$117,209	$277,141	$2,052,138

Present Law Mandates

The Office of the Secretary of State is established by Article VI, Section 1, Mont. Const. and its duties are set forth in 2-15-401, MCA. The office exists as a state mandate.

Present Law Base

Personal Services — Present law adjustments are attributable to annualization of the FY95 pay plan, overtime increases of $14,650 per year, employee benefits and longevity increases, and vacancy savings realized during the base year. The termination payouts of $10,475 in FY94 are not budgeted for the 1997 biennium.

Inflation/Deflation and Fixed Costs — Non-discretionary operating expenses increase $38,852 in FY96 and $20,323 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Computer Systems Development — Continuing system development expenses increase by $95,600 in FY96 and $40,600 in FY97 based upon estimates by the Information and Services Division of the Department of Administration. Down-time in the existing system and high costs for minor changes drive the need for a higher annual level of investment to maintain a useable and compatible computer environment.

Printing - Printing expenses increase by $46,900 in FY96 and $23,000 in FY97. The FY96 increase includes $40,000 for replenishment of the complete Administrative Rules of Montana (ARM) set inventory and $6,900 for motor voter registration forms. The FY97 increase is for the cyclical printing of the Voter Information Pamphlet (VIP). The cost for the FY95 VIP was approximately $28,000.

Equipment - Replacement equipment decreases by about $41,000 per year below FY94 expenditures.

Plans for replacement include personal computers, shelving, a rotary camera, and a step/repeat camera.

New Proposals

Personal Services Reduction — Personal services are reduced by 1.00 FTE and $48,099 in FY96 and $48,414 in FY97 to provide adequate funding for the proposed 1997 biennium pay plan.

Customer Service Representatives — An additional 2.00 FTE additional customer services staff and $56,000 each year are proposed to improve compliance with customer requests and compliance with legal requirements.

Bankruptcy Coordinator — There is 1.00 FTE and $35,000 per year proposed to provide a coordinator for bankruptcy proceedings for the State of Montana. The coordinator will work with other state agencies, the proposed bankruptcy/collection unit at the Department of Justice, the federal bankruptcy court, and the bankruptcy referee. The coordinator will have immediate access to commercial and agricultural liens filed in the Secretary of State's Office.

New Equipment — New equipment requests total $30,500 in FY96 and $50,000 in FY97. Major new items include a microfilm processor in FY96 and a document imaging camera in FY97.

Additional Microfilm Staff - The maintenance of 2.00 additional microfilm staff for the records management operations with authority of $39,422 in FY96 and $39,961 in FY97 is proposed for both years of the biennium. The FTE were added through a budget amendment in FY95. The FTE will help avoid a backlog of projects and replace contract services obtained through work-study arrangements, sheltered workshops, and other non-profit organizations.

Administrative Rules Specialist - This proposal will continue the 0.50 FTE and $28,000 each year in spending authority to support technology advances and customer requests for automated access in the Administrative Rules of Montana unit (ARM). This addition was approved by budget amendment in FY95.

Information Capture/Records Preservation - This proposal will continue the 3.00 FTE and $115,000 each year in spending authority for a data processing coordinator and two records preservation staff. These positions were added through a budget amendment during the 1995 biennium. The priorities for the data processing coordinator include meeting customer services requests having significant revenue potential such as customized corporate filing lists, and enhancement of in-house automation and network support. The records preservation staff will be directed toward reducing the state's liability for lost or destroyed records by continuing the process of duplication of all corporate and partnership records maintained by the office as required by state law.

Funding

The agency is funded predominantly with proprietary funds from both internal-service and enterprise accounts. The elections bureau remains partially funded with general fund.

MISSION STATEMENT: In a fair and impartial manner, to monitor and to enforce campaign practices and campaign finance disclosure, lobbying disclosure, and business interest disclosure of public officials and to investigate legitimate complaints that arise concerning any of the above.

3202-01 ADMINISTRATION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	3.25	.00	.00	3.25	.00	.00	3.25
Personal Services	97,393	2,569	0	99,962	2,779	0	100,172
Operating Expenses	28,827	21,492	0	50,319	18,221	0	47,048
Equipment	211	2,089	0	2,300	-211	0	0
Debt Service	196	-196	0	0	-196	0	0
Total Agency Costs	**126,627**	**$25,954**	**$0**	**$152,581**	**$20,593**	**$0**	**$147,220**
General Fund	126,627	25,954	0	152,581	20,593	0	147,220
Total Funding Costs	**126,627**	**$25,954**	**$0**	**$152,581**	**$20,593**	**$0**	**$147,220**

Present Law Mandates

The Office of the Commissioner of Political Practices was created in 1975 and operates in accordance with state mandates contained in Title 13, Chapters 35-37, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity and other payroll rates.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $7,099 in FY96 and $3,828 in FY97 as a result of the inflation/deflation and fixed costs adjustments.

Legal Fees and Court Costs - An increase of $1,500 each year is attributable to greater use of Department of Justice investigators, at $30 per hour, to meet statutory requirements that the commissioner conduct timely investigations on complaints received from citizens, candidates and organizations.

Systems Development/Non-DOA - $2,500 per year is added for continuing automation development of campaign finance reporting and implementation training for staff.

Photocopier Replacement - Replacement of the office photocopy machine through the Department of Administration photocopy lease pool, initiated during FY95, necessitates an annual base adjustment of $4,109.

Postage and Mailing - Ongoing postage and mailing expenses increase by $4,580 each year due to volume increases in the number of documents and candidates. A 30% increase in the number of candidates reaching the $500 threshold for required reporting occurred during the 1994 election cycle. The amount expended in FY94 but charged to a non-budgeted expense category, was $4,580.

Other - Travel expenses increase by $1,359 per year and dues increase by $345 per year. The

commissioner was not reimbursed for most of his in-state travel or for membership in the Council on Governmental Ethics Laws in FY94 as a voluntary cost reduction measure.

Equipment Replacement - Replacement of three office chairs in FY96 is recommended at a total cost of $2,300.

Debt Service - Debt service payments for the purchase of a photocopier were completed during FY94. As previously noted, it was necessary, and more cost effective, to lease a replacement photocopier during FY95.

Funding

The agency is funded entirely by the general fund.

State Auditor's Office

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	74.75	.25	-.25	74.75	.25	.00	75.00
Personal Services	1,921,940	551,215	-111,901	2,361,254	559,985	-104,856	2,377,069
Operating Expenses	1,042,112	340,966	-1,733	1,381,345	50,228	-2,084	1,090,256
Equipment	31,526	-31,076	0	450	-1,720	0	29,806
Total Agency Costs	**2,995,578**	**$861,105**	**$-113,634**	**$3,743,049**	**$608,493**	**$-106,940**	**$3,497,131**
General Fund	1,904,694	351,777	-241,758	2,014,713	331,734	-241,564	1,994,864
State Special Revenue Fund	907,009	477,757	-636,543	748,223	246,860	-657,236	496,633
Proprietary Fund	183,875	31,571	764,667	980,113	29,899	791,860	1,005,634
Total Funding Costs	**2,995,578**	**$861,105**	**$-113,634**	**$3,743,049**	**$608,493**	**$-106,940**	**$3,497,131**
Central Management	318,789	16,237	-14,250	320,776	14,072	-14,317	318,544
Insurance	1,370,225	716,324	-63,271	2,023,278	442,549	-55,940	1,756,834
Securities	406,672	40,134	-18,394	428,412	37,562	-18,505	425,729
Fiscal Control And Management	899,892	88,410	-17,719	970,583	114,310	-18,178	996,024
Total Program Costs	**2,995,578**	**$861,105**	**$-113,634**	**$3,743,049**	**$608,493**	**$-106,940**	**$3,497,131**

MISSION STATEMENT: The State Auditor is both the Commissioner of Insurance and the Commissioner of Securities. The State Auditor is charged with the duty of licensing and regulating insurance companies and producers within the state. The State Auditor is also assigned the responsibility of regulating and registering issuers, securities salesmen, broker-dealers, investment advisers, and investment adviser representatives. The State Auditor is also director of the State's central payroll system. The State Auditor's Office is required by nature to continuously advance and upgrade to protect and serve the needs of Montana consumers and state agencies.

3401-01 CENTRAL MANAGEMENT

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	9.00	.00	.00	9.00	.00	.00	9.00
Personal Services	274,771	10,233	-14,250	270,754	11,137	-14,317	271,591
Operating Expenses	41,172	8,850	0	50,022	5,781	0	46,953
Equipment	2,846	-2,846	0	0	-2,846	0	0
Total Agency Costs	**318,789**	**$16,237**	**$-14,250**	**$320,776**	**$14,072**	**$-14,317**	**$318,544**
General Fund	308,369	2,597	-14,250	296,716	272	-14,317	294,324
State Special Revenue Fund	3,485	15,810	-4,765	14,530	15,930	-4,805	14,610
Proprietary Fund	6,935	-2,170	4,765	9,530	-2,130	4,805	9,610
Total Funding Costs	**318,789**	**$16,237**	**$-14,250**	**$320,776**	**$14,072**	**$-14,317**	**$318,544**

Present Law Mandates

The Central Management Program contains the position of the elected State Auditor and is responsible for central administration functions for the agency. These functions are state mandated under Article 6, Mont. Const., and Titles 2, 17, 19, and 44, MCA.

Present Law Base

Personal Services - Base adjustments include a decrease of $6,706 for termination leave payouts during FY94 and net decreases for employee benefits and longevity. Base increases are due to annualization of the FY95 pay plan.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $6,031 in FY96 and $2,962 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Consulting & Professional Services - An increase of $4,816 each year in state special revenue contracted services authority is attributable to the ongoing liquidation of the Glacier General Insurance Company. Base expenditures were minimal ($184) and greater involvement is anticipated during the next biennium.

Data Processing Supplies - $2,000 per year in one-time supply expenses are removed as negative base adjustments.

Equipment - No replacement equipment is requested for this program. FY94 expenses were $2,846.

New Proposals

Personal Services Reduction - Total personal services are reduced by $14,250 in FY96 and $14,317 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan. The reductions are allocated entirely to the general fund.

Warrant Writer Fund Switch - The warrant writer function in the Fiscal Control and Management Program contributes to the funding of the central information systems specialist position in the Central Management Program. In accordance with the proposal to change the funding of warrant writing to proprietary, the proportional funding allocation in this program is switched from state special revenue to proprietary by the amounts of $4,765 in FY96 and $4,805 in FY97.

Funding

Funding is primarily from the general fund. A central information systems specialist position is split-funded between the general fund, the securities fee state special revenue account, and the Bad Debt Division and proposed warrant writer proprietary accounts. There is $5,000 each year in consulting and professional services funded by the insurance fee state special revenue account.

3401-03 INSURANCE

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	40.75	.25	-.25	40.75	.25	.00	41.00
Personal Services	994,390	444,154	-58,121	1,380,423	449,551	-50,790	1,393,151
Operating Expenses	369,349	278,656	-5,150	642,855	-516	-5,150	363,683
Equipment	6,486	-6,486	0	0	-6,486	0	0
Total Agency Costs	**1,370,225**	**$716,324**	**$-63,271**	**$2,023,278**	**$442,549**	**$-55,940**	**$1,756,834**
General Fund	1,055,191	373,093	-66,524	1,361,760	350,371	-58,593	1,346,969
State Special Revenue Fund	315,034	343,231	3,253	661,518	92,178	2,653	409,865
Total Funding Costs	**1,370,225**	**$716,324**	**$-63,271**	**$2,023,278**	**$442,549**	**$-55,940**	**$1,756,834**

Present Law Mandates

The insurance regulatory function in the State Auditor's Office is a state-mandated service. The mandates are stipulated in Article 6, Mont. Const.; Title 2, Chapter 16, MCA; Title 44, Chapter 5, MCA; and Titles 17 and 33, MCA.

Present Law Base

Personal Services - Base increases are due to annualization of the FY95 pay plan, vacancy savings realized during FY94, approximately $104,000 present law adjustment each year for support staff involved with the Small Employer Carrier Reinsurance Board, the Health Benefit Plan Committee, and related small group reform efforts described in a subsequent paragraph, the phase-in from 1.75 FTE in FY94 to 2.00 FTE in FY95 and subsequent years for implementation of the insurance industry continuing education function, and adjustments for employee benefit rates and longevity. Overtime for investigators and examinations and licensing staff decreases by $324 per year.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $37,565 in FY96 and $25,586 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Consulting & Professional Services - General consulting, professional, legal, and administrative hearing contract expenses decrease by $5,509 each year. These expenses are for hearings officers, legal counsel services purchased from the Department of Justice and outside attorneys, electronic insurance agent appointment and termination fees, and other minor contracts.

Contract Examination Fees - An increase of $188,797 in FY96 and a decrease of $64,603 in FY97 is attributable to required financial examinations of insurance companies to assure their solvency. The examinations are conducted by contract examiners and are fully reimbursed by the examined company. Accordingly, funding is state special revenue. Prior to FY94, the examinations were billed directly to the companies by the examiners and were not recorded on the state accounting system; this procedure was eliminated due to a recommendation by the Office of the Legislative Auditor. Because exams often overlap fiscal years depending on the availability of contractors, the entire biennial amount is shown in FY96 as a restricted biennial appropriation. The biennial amount provides $45,000 for required market conduct examinations of both Montana-based Health Service

Corporations which were not examined during the base year.

Reinsurance Board & Small Employer Health Insurance - SB285/HB145 health care reform expenditures were eliminated from the Insurance Program's FY94 base contiguous with the treatment of expenditures by the Montana Health Care Authority which was created by SB285. However, the second part of SB285, known as the Small Employer Health Insurance Availability Act, added certain permanent responsibilities to the State Auditor's Office and the staff and operating support costs of these ongoing functions are reflected as present law adjustment increases for the 1997 biennium. The present law adjustments include $20,000 per year for actuarial rate setting and other contracted services for the operation of the Small Employer Carrier Reinsurance Board, $12,000 in FY96 only for a required small employer health insurance survey, report printing expenses of $3,617 in FY96 and $6,017 in FY97, $9,372 annually for supplies and materials, $7,900 per year for postage and mailing, and $23,471 each year for both non-employee and staff travel. The reinsurance board fund switch new proposal removes $15,150 of these board travel expenses by assigning them to the board to be paid directly from assessments to insurance companies that participate in the small group market.

Printing - Printing expenses increase by $4,200 in FY96 only due to the cyclical updates of the health and auto insurance consumer guides.

Office and Data Processing Supplies - Supplies expenses decrease by $32,538 each year attributable to one-time base year expenditures for office panels and computers.

Equipment - No replacement equipment is requested for this program. FY94 expenses were $6,486.

New Proposals

Personal Services Reduction - 1.00 FTE actuary position and total personal services of $81,677 in FY96 and $82,277 in FY97 are removed from the base in order to provide adequate funding for the Governor's proposed 1997 biennium pay plan. The Insurance Program was authorized 2.00 FTE new life and health actuaries for the 1995 biennium. After reviewing the workload demands, the State Auditor determined that 1.00 FTE could be eliminated if $10,000 per year was provided for contract actuary services. The net reductions in this proposal are $71,677 in FY96 ($54,930 general fund) and $72,277 in FY97 ($54,930 general fund).

Compliance Specialist - A new 0.75 FTE compliance specialist is recommended for FY96, continuing as a full year 1.00 FTE in FY97. The December, 1993 special legislative session adopted HB33 authorizing the Department of Social and Rehabilitation to pursue a capitated managed care initiative for Medicaid services. The department will begin to phase-in the enrollment of up to 25,000 Medicaid clients in a Health Maintenance Organization (HMO) plan during FY96. The State Auditor's Office is statutorily designated to regulate HMOs and the new position will assist in the regulation, enforcement, and compliance measures required for the new population of insurance clients. The personal services costs are $23,556 in FY96 and $31,487 in FY97. Fifty percent of these costs may be reimbursed with federal Medicaid funds under a contract agreement with the Department of Social and Rehabilitation Services. All federal cost recovery will be deposited in the general fund.

Reinsurance Board Fund Switch - The $15,150 per year for Small Employer Carrier Reinsurance Board (board) member travel expenses contained in the board general fund present law adjustment will be moved "off budget" and paid directly by the board under this proposal. The board will pay the expenses from assessment fees charged to insurance companies that participate in the small group market. In addition, this proposal reduces general fund by another $20,000 each year by charging the board for State Auditor's Office staff time dedicated to board activities. The general fund authority is offset by a like amount of state special revenue authority funded through the board's assessment process. Total general fund reductions are $35,150 each year.

Funding

Funding is primarily from the general fund. Approximately $27 million in general fund revenue is collected each year from insurance premium taxes, and agent and company licenses and fees. State special revenue obtained from non-resident license fee renewals, insurance company contract examination fees, agent continuing education fees, and regulatory accreditation fees are used to support the corresponding activities.

3401-04 SECURITIES

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	11.00	.00	.00	11.00	.00	.00	11.00
Personal Services	318,782	54,102	-18,394	354,490	55,408	-18,505	355,685
Operating Expenses	83,984	-10,062	0	73,922	-13,940	0	70,044
Equipment	3,906	-3,906	0	0	-3,906	0	0
Total Agency Costs	**406,672**	**$40,134**	**$-18,394**	**$428,412**	**$37,562**	**$-18,505**	**$425,729**
General Fund	331,852	39,954	-15,569	356,237	37,382	-15,663	353,571
State Special Revenue Fund	74,820	180	-2,825	72,175	180	-2,842	72,158
Total Funding Costs	**406,672**	**$40,134**	**$-18,394**	**$428,412**	**$37,562**	**$-18,505**	**$425,729**

Present Law Mandates

The securities regulatory function in the State Auditor's Office is a state-mandated service. The statutory authorization is contained in Title 30, Chapter 10, MCA.

Present Law Base

Personal Services - Base increases are due to annualization of the FY95 pay plan, vacancy savings realized during FY94, and adjustments for employee benefit rates and longevity. Overtime for investigators and agent registration staff decreases by $618 each year.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $7,530 in FY96 and $3,651 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Consulting & Professional Services - Contract services for administrative hearings examiners obtained from the Department of Justice or outside attorneys, and public service announcements on securities issues, increase by $3,695 each year.

Office and Data Processing Supplies - Supplies expenses decrease by $22,287 each year attributable to one-time base year expenditures for office partitions and computers.

Equipment - No replacement equipment is requested for this program. FY94 expenses were $3,906.

New Proposals

Personal Services Reduction - Total personal services are reduced by $18,394 in FY96 and $18,505 in FY97 in order to provide adequate funding for the Governor's proposed 1997 biennium pay plan. There is $15,569 (FY96) and $15,663 (FY97) of the reductions allocated to the general fund.

Funding

Funding is primarily from the general fund. Approximately $4.5 million in general fund revenue and transfers is collected each year from securities firms and agent licenses and registration fees. State special revenue obtained from securities portfolio registration fees are used to support the administration of that activity.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	14.00	.00	.00	14.00	.00	.00	14.00
Personal Services	333,997	42,726	-21,136	355,587	43,889	-21,244	356,642
Operating Expenses	547,607	63,522	3,417	614,546	58,903	3,066	609,576
Equipment	18,288	-17,838	0	450	11,518	0	29,806
Total Agency Costs	**899,892**	**$88,410**	**$-17,719**	**$970,583**	**$114,310**	**$-18,178**	**$996,024**
General Fund	209,282	-63,867	-145,415	0	-56,291	-152,991	0
State Special Revenue Fund	513,670	118,536	-632,206	0	138,572	-652,242	0
Proprietary Fund	176,940	33,741	759,902	970,583	32,029	787,055	996,024
Total Funding Costs	**899,892**	**$88,410**	**$-17,719**	**$970,583**	**$114,310**	**$-18,178**	**$996,024**

Present Law Mandates

The warrant writer system in the Fiscal Control and Management Program is a state-mandated service as authorized in Title 17, Chapter 8, MCA. The bad debt collection unit also operates under a state mandate. The statutory authorization is in Title 17, Chapter 4, MCA.

Present Law Base

Personal Services - Base increases are due to annualization of the FY95 pay plan, vacancy savings realized during FY94, and adjustments for employee benefit rates and longevity.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $39,136 in FY96 and $21,199 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Warrant Postage and Mailing - Postage and mailing is the largest expenditure category in the warrant writer process. Based upon the statewide warrant projections used to develop the warrant writer cost allocation plan, it is estimated that volume-driven postage and mailing expenses will increase by $23,040 in FY96 and $36,358 in FY97, excluding anticipated postage rate increases which are budgeted as inflation factors.

System Development - The warrant writer system, and its interface with the bad debts collection system, requires extensive ongoing system development services purchased from the Information Services Division of the Department of Administration. Based upon a service rate of $42 per hour, these expenses are projected to increase by $4,473 each year.

Maintenance Contracts - Contract expenses for specialized equipment required to be operable every working day, such as warrant and forms processors, decrease by $3,269 each year due to recent replacements.

Equipment - There is $29,806 budgeted in FY97 for replacement of a pressure sealer used in the processing of mailer warrants. The new machinery will link with the current forms burster and will allow for the utilization of different types of forms. The equipment currently in use will have over seven years of continuous use by FY97. During FY94, $18,002 was spent on replacement equipment.

New Proposals

Personal Services Reduction - Total personal services are reduced by $18,836 in FY96 and $18,944 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan. The reductions are allocated among the general fund, state special revenue, and bad debt collection proprietary funds. The reductions are applied against base personal services funding; as such, the

new proposed fund switch for the warrant writer system is not included in this item.

Warrant Writer Fund Switch - This proposal changes funding for the state warrant writer system from general fund and state special revenue to proprietary revenue authority. In the current and previous biennia, warrant writer fees were charged only to nongeneral fund programs. The executive budget proposes to operate the warrant writer system on a proprietary basis, charging similar fees to all programs regardless of funding source. There is no significant net general fund impact for this accounting change since, while general fund programs will require budget authority to pay projected warrant writer fees, the general fund appropriated to the warrant writer system can be eliminated.

One rationale for this change in funding is to maximize cost recovery from federal sources. In fact, many federal grants require state matching funds for any and all administrative costs, including warrant writer fees. In addition, use of full accrual accounting will allow recovery of nonbudgeted liabilities, such as accrued leave time and depreciation, from federal sources.

This change also will provide immediate incentives for agencies to use less costly payment methods and realize general fund savings during the 1997 biennium. The cost of each type of warrant transaction varies significantly. A duplicate warrant requires extensive labor involvement and costs over $10 per warrant. At the other extreme, direct electronic deposit transactions cost only $0.14 each. The current system provides no immediate incentive to use other types of warrant transactions because agencies are billed according to the fixed cost allocation for each year, rather than to the actual transactions occuring during the year. This proposal provides for a multi-rate structure where each type of transaction will have a separate rate based upon the cost of executing the transaction. Agencies will be billed based upon actual usage and will be able to control and lower warrant writer costs to the extent staff use lower-cost methods and maintain a relatively stable volume of transactions.

The offset effect of this proposal in the Fiscal Control and Management Program will be to replace $141,816 general fund and $616,485 state special revenue in FY96, and $149,341 general fund and $636,512 state special revenue in FY97, with proprietary funds.

County Personal Property Tax Offset - Proprietary fund authority of $9,977 in FY96 and $9,626 in FY97 will allow the State Auditor's Office to help counties with the collection of delinquent personal property tax debts. This proposal will provide a voluntary process to offer the warrant offset capability which currently is utilized effectively by the bad debt collection unit. Participating counties will provide personal property tax data in a format compatible with the collection system. If a state refund is to be issued to an identified delinquent tax debtor, the warrant can be "captured" and refunded to the appropriate county. This proposal may have a positive effect on the state general fund due to the linkage of public school and university funding to personal property tax revenue. The costs of this proposal are based upon estimated participation by 25 counties. The bad debt collection unit is self-funded by a percentage of revenue collected. The current percentage is 7.5%.

Electronic Fund Transfers - Retirement Systems - Annual reductions of $2,300 in personal services and $6,560 in computer processing, warrant stock, and other operating expenses are proposed contingent upon the passage of legislation requiring electronic fund transfers for payment of Teachers' Retirement System and Public Employee Retirement System benefits. In addition, both retirement systems should realize savings in postage and warrant writer fees.

Funding

Present law funding of the warrant writer system is determined according to the funding ratio developed in the warrant writer cost allocation plan. The general fund portion is 18.7% for FY96 and 19% for FY97. The balance is state special revenue derived from fees to other state agencies. The warrant writer fund switch new proposal will convert this function to 100% proprietary funding.

The bad debt collection unit is funded entirely with proprietary funds obtained from a percentage of revenue collected.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	1,933.75	11.65	-47.00	1,898.40	11.65	-46.00	1,899.40
Personal Services	68,754,938	722,872	-1,988,295	67,489,515	1,034,771	-1,979,314	67,810,395
Operating Expenses	221,565,628	57,669,061	18,701,528	297,936,217	37,317,764	22,777,908	281,661,300
Equipment	9,342,214	-2,278,199	1,934,366	8,998,381	-1,664,422	1,130,298	8,808,090
Capital Outlay	5,837,225	-327,123	246,000	5,756,102	-327,123	246,000	5,756,102
Grants	3,001,436	-680,652	400,000	2,720,784	-680,652	500,000	2,820,784
Transfers	10,017,368	20,833,797	0	30,851,165	25,739,344	0	35,756,712
Debt Service	12,101	0	0	12,101	-5,543	0	6,558
Total Agency Costs	**318,530,910**	**$75,939,756**	**$19,293,599**	**$413,764,265**	**$61,414,139**	**$22,674,892**	**$402,619,941**
General Fund	28,360	-28,360	150,000	150,000	-28,360	250,000	250,000
State Special Revenue Fund	149,899,589	36,768,650	12,487,895	199,156,134	42,826,795	17,090,220	209,816,604
Federal Special Revenue Fund	152,168,668	39,467,863	5,839,619	197,476,150	18,050,513	4,996,785	175,215,966
Proprietary Fund	16,434,293	-268,397	816,085	16,981,981	565,191	337,887	17,337,371
Total Funding Costs	**318,530,910**	**$75,939,756**	**$19,293,599**	**$413,764,265**	**$61,414,139**	**$22,674,892**	**$402,619,941**
General Operations Program	8,423,410	144,579	2,123,961	10,691,950	-14,160	1,958,611	10,367,861
Construction Program	199,791,496	48,255,434	16,841,425	264,888,355	26,594,634	21,425,843	247,811,973
Maintenance Program	58,080,350	1,928,526	-1,324,412	58,684,464	2,649,972	-1,333,770	59,396,552
State Motor Pool	808,428	371,654	754,510	1,934,592	464,752	548,555	1,821,735
Equipment Program	15,571,476	-667,389	73,057	14,977,144	73,155	-199,153	15,445,478
Interfund Transfers Program	10,010,642	20,827,070	0	30,837,712	25,732,617	0	35,743,259
Stores Inventory	16,498,402	4,774,007	0	21,272,409	5,701,940	0	22,200,342
Motor Carrier Services Div.	3,982,243	285,452	-7,458	4,260,237	221,490	-7,922	4,195,811
Aeronautics Program	619,486	289,462	-11,482	897,466	276,841	-11,515	884,812
Transportation Planning Divisi	4,744,977	-269,039	843,998	5,319,936	-287,102	294,243	4,752,118
Total Program Costs	**318,530,910**	**$75,939,756**	**$19,293,599**	**$413,764,265**	**$61,414,139**	**$22,674,892**	**$402,619,941**

MISSION STATEMENT: Serve the public by establishing a transportation system which emphasizes safety, environmental preservation and cost-effectiveness.

Projected Cash Balance in the Highway Special Revenue Account (HSRA)

Following enactment of SB257 in the 1993 legislative session, which raised the gas and diesel tax rates by $0.07 per gallon, the HSRA was projected to continue to experience annual deficits at current service expenditure levels (see the Executive Appropriations Report for the Regular Session of the 53rd Legislature, page A-13). The HSRA cash balance was projected to be negative by the end of the 1999 biennium, requiring additional revenues, reductions in highway construction, maintenance, or other HSRA funded programs.

However, the currently projected fiscal condition of the HSRA has changed dramatically, primarily due to higher revenues. While previous estimates projected the ending cash balance for the 1997

biennium at about $20 million, current estimates now project the 1997 biennium ending cash balance, based on present law base expenditures and revenues, to be about $95 million--an improvement of $75 million. The table below reflects the changes made to revenue and expenditure estimates over the four-year projection period FY94-FY97.

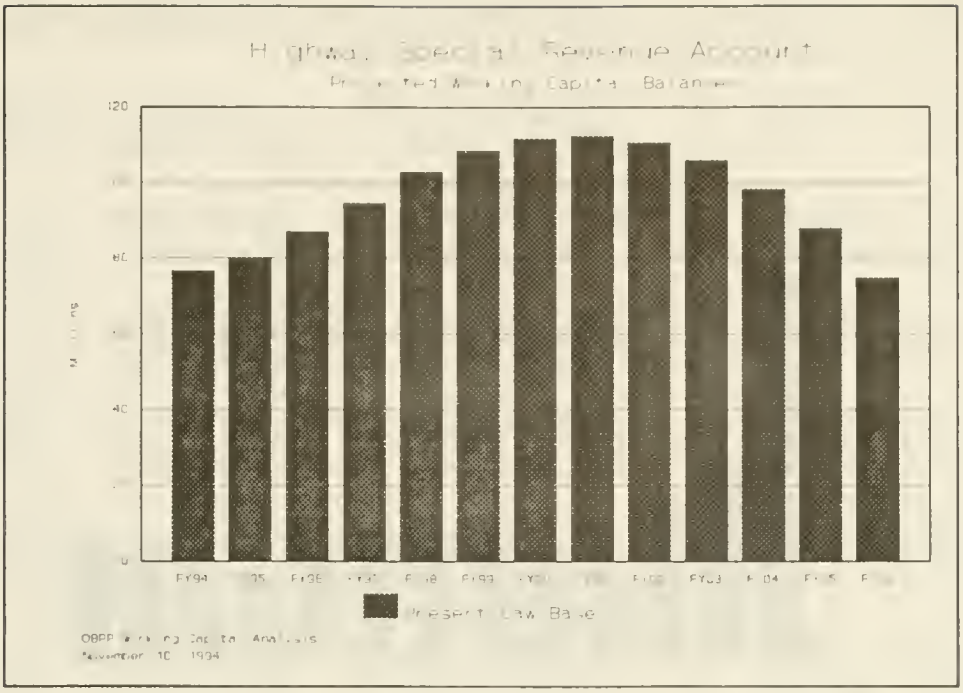
Change in HSRA Projections (November 1994 - May 1993)
(in $ millions)

	FY94	FY95	FY96	FY97	Total
Diesel Tax Revenues	10.528	5.330	6.651	7.118	29.628
Gas Tax Revenues	10.628	6.346	5.186	5.186	27.346
GVW & Related Revenues	4.401	3.289	1.875	1.875	11.441
Other Revenues (less stores)	3.465	0.839	0.859	0.694	5.857
Net Stores Operations	-3.075	0.000	0.000	0.000	-3.075
FL Base Expend. (less stores)	3.582	-7.908	-2.393	-0.875	-7.595
One-Time Accounting Change	11.054	0.000	0.000	0.000	11.054
Total Changes	40.583	7.896	12.178	13.998	74.655

Notes:
Negative amounts for expenditure items reflect increases in expenditures.
Accounting change reflects inclusion of FYE93 receivables.

The most significant, continuing changes are in revenues with projected diesel revenue up 19%, GVW revenue up 12%, and gasoline revenue up 6% over the four-year period. Although the department does not yet have sufficient information to determine the exact cause of these increases, it is likely that growth in the state's population and increased economic activity are major factors. For diesel revenue, an additional major factor is believed to be enactment of HB539 in the 1993 session, which changed the point of taxation from the retail level to the distributor level, expected to reduce highway use of untaxed fuel. The projected increase in diesel revenue is consistent with the experience of other, similar states which have recently changed the point of taxation on diesel fuel.

As a result of these changes, present law HSRA cash balances are projected to grow over the next three biennia. In the longer term, however, projected HSRA cash balances will inevitably decline due to fact that fuels and GVW taxes are a flat revenue structure. For example, the tax rate is $0.27 per gallon regardless of inflationary increases in the price of a gallon of gas. Therefore, unless the state's population, tourism industry, and economy continues its current growth rates over the long term, even low inflationary increases in construction, maintenance, and department overhead expenditures will eventually outpace revenues. This phenomenon is demonstrated in the following graph showing projected present law HSRA cash balances from FY94 through FY 2006 (assumes inflationary increases of 3% applied only to highway maintenance, department overhead, and Department of Justice expenditures; RTF and federal-aid construction are held constant):



In order to better manage the HSRA cash balances over the long term without further tax increases for as long as possible, the Office of Budget and Program Planning and the Department of Transportation have adopted a 12-year planning horizon for policy decisions affecting the HSRA. Although such long-term projections are highly tenuous due to sensitivity to a number of factors such as inflation, the availability of federal construction funds, federal match rates, and consumption of taxable fuels, the long-term projections are useful in reflecting general trends and minimizing the necessity of dramatic "course corrections" over time. This is particularly important for the highway construction industry which must make substantial investments in equipment. The planning horizon extends from FY1995 (FY1994 actuals are also presented) to FY2006, the year in which all highway bonds would be repaid at current repayment schedules. Repayment of the highway bonds will reduce expenditures by about $16 million per year.

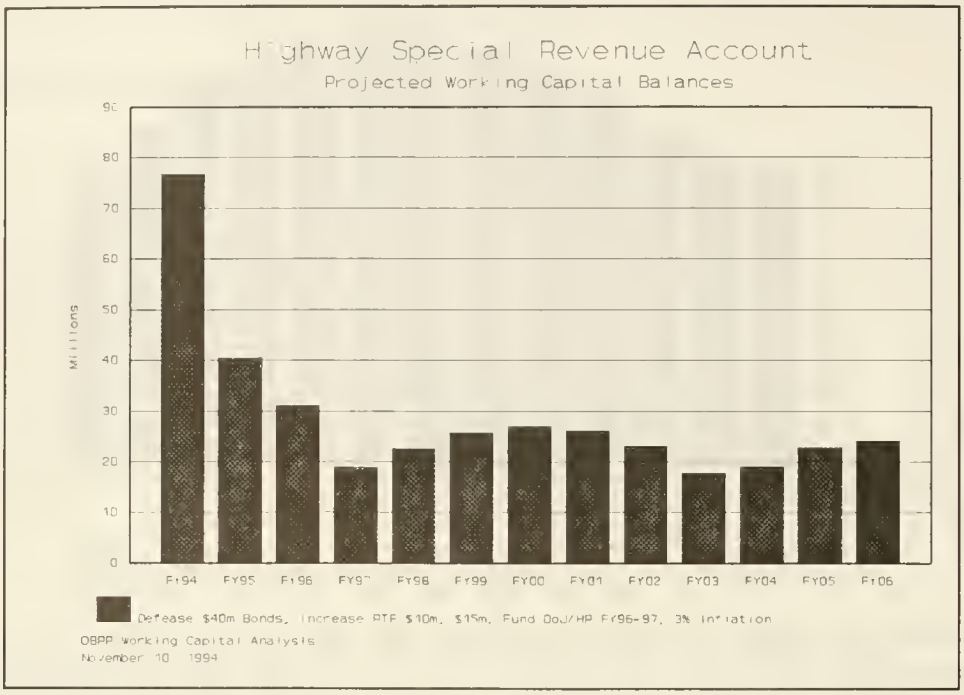
The executive budget proposes the following major initiatives affecting the HSRA, intended to more effectively utilize projected HSRA revenues for sustained increases in highway maintenance and construction without requiring further tax increases for the foreseeable future:

- Increase the state-only reconstruction trust fund (RTF) program from approximately $20 million per year to $30 million in FY96 and $35 million in FY97 and thereafter;

- The department proposes to defease $40 million in outstanding highway bonds at the end of FY95, thereby reducing HSRA debt service payments by about $18 million over the 12-year period;

- Fund the Department of Justice Motor Vehicle Division from the general fund in lieu of current HSRA funding beginning in FY96. Fund the Department of Justice Highway Patrol from the general fund in lieu of current HSRA funding beginning in FY98. Reallocate the approximately $5 million in coal tax revenues currently received by the HSRA to the long range building program. The net effect of these changes is to increase the funds available for highway maintenance and construction by about $110 million over the 11-year period FY 1996 through FY 2006.

The effect of these and other budget proposals discussed further in department budget narrative on projected HSRA cash balances is shown in the following graph:



The department must make payments to contractors prior to receiving federal reimbursements and therefore has required a minimum working cash balance in the HSRA of approximately $20 million. The projected balance at the end of the 1997 biennium is just under the department's standard $20 million minimum balance. However, due to the accounting change to include fiscal year end receivables, the actual treasury cash balance is likely to be under $10 million. Particularly during the summer months when payments to contractors are relatively high, the HSRA may require short term loans pending receipt of federal reimbursements. As a result of the federal Cash Management Improvement Act (CMIA), the lag between clearance of state warrants and receipt of federal highway administration reimbursements has been reduced to approximately one day. The department anticipates that further improvements will virtually eliminate this cash lag, making short term financing unnecessary.

Details of the present law base and executive budget initiatives affecting the HSRA are shown in the table on the following page. Outyear expenditures assume 3.00% inflation except for federal-aid construction and preconstruction, capped at approximately $160 million per year federal-aid program and the reconstruction trust fund, capped at a present law base obligational level of $20 million per year. The present law base also reflects continuation of the reconstruction trust fund program and coal tax allocations to the HSRA following the statutory sunset in FY 2004.

HIGHWAY SPECIAL REVENUE ACCOUNT

OBPP Working Capital Analysis 11/12/94

($000s)

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
PL BASE BEGIN BALANCE	67,156	76,711	80,127	87,023	94,632	102,890	108,606	111,848	112,526	110,560	105,870	98,359	87,932
REVENUE													
GVW Fees (Const Protected)	16,574	16,478	14,497	14,497	14,497	14,497	14,497	14,497	14,497	14,497	14,497	14,497	14,497
Gas Tax	106,736	114,299	114,228	114,228	114,228	114,228	114,228	114,228	114,228	114,228	114,228	114,228	114,228
Diesel Tax	43,524	45,082	46,733	47,200	47,672	48,149	48,630	49,117	49,608	50,104	50,605	51,111	51,622
Coal Tax	4,943	5,232	5,252	5,087	4,909	4,714	4,714	4,714	4,714	4,714	4,714	4,714	4,714
Nonconst Protected Rev	11,431	10,510	11,077	11,077	11,077	11,077	11,077	11,077	11,077	11,077	11,077	11,077	11,077
Stores	13,423	23,519	21,272	22,200	22,866	23,552	24,259	24,986	25,736	26,508	27,303	28,122	28,966
Other Revenue/Adj	3,801	1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824
Total	200,432	216,944	214,883	216,113	217,073	218,041	219,229	220,443	221,684	222,952	224,248	225,573	226,928
PL BASE EXPENDITURES													
Federal Aid Construction	29,418	27,465	32,540	33,008	31,907	32,048	32,174	32,303	32,432	32,562	32,695	32,830	32,966
Reconstruction Trust	14,953	24,050	20,838	20,743	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Preconstruction	7,732	8,762	7,098	6,465	6,571	6,571	6,571	6,571	6,571	6,571	6,571	6,571	6,571
Maintenance	58,148	60,329	60,009	60,730	62,552	64,428	66,361	68,352	70,403	72,515	74,690	76,931	79,239
Motor Carrier Services	3,974	4,109	4,268	4,204	4,330	4,460	4,594	4,732	4,874	5,020	5,170	5,326	5,485
General Operations	8,309	7,534	8,226	8,067	8,309	8,558	8,815	9,079	9,352	9,632	9,921	10,219	10,526
Transportation Planning	833	886	711	708	729	751	774	797	821	845	871	897	924
Stores	16,498	23,519	21,272	22,200	22,866	23,552	24,259	24,986	25,736	26,508	27,303	28,122	28,966
Debt Service	17,937	18,381	18,316	17,603	15,976	15,977	15,973	15,976	15,977	15,972	15,973	15,975	15,580
Statutory Distributions/Grants	16,766	16,766	16,766	16,766	16,766	16,766	16,766	16,766	16,766	16,766	16,766	16,766	16,766
Dept. of Justice	14,158	17,188	14,617	14,821	15,757	16,230	16,717	17,218	17,735	18,267	18,815	19,379	19,960
Long Range Building	2,688	3,992	2,984	2,984	2,984	2,984	2,984	2,984	2,984	2,984	2,984	2,984	2,984
PY LRBP	403	546	342	205	68	0	0	0	0	0	0	0	0
Misc Adjustments	(940)	0	0	0	0	0	0	0	0	0	0	0	0
Total	190,877	213,528	207,987	208,504	208,815	212,326	215,987	219,764	223,649	227,642	231,760	236,000	239,967
NEW PROPOSALS													
Target FTE Reduction	0	0	(2,877)	(2,893)	(2,980)	(3,069)	(3,161)	(3,256)	(3,354)	(3,454)	(3,558)	(3,665)	(3,775)
Executive Budget New Proposals	0	0	5,365	4,983	3,227	3,324	3,424	3,526	3,632	3,741	3,853	3,969	4,088
Payplan Projection	0	0	850	876	902	929	957	985	1,015	1,045	1,077	1,109	1,142
DoJ Motor Vehicle Division	0	0	(1,159)	(1,157)	(1,192)	(1,227)	(1,264)	(1,302)	(1,341)	(1,382)	(1,423)	(1,466)	(1,510)
Coal Tax	0	0	5,252	5,087	4,909	4,714	4,714	4,714	4,714	4,714	4,714	4,714	4,714
McCarty Farms Supplemental	0	(315)	0	0	0	0	0	0	0	0	0	0	0
DoJ Highway Petrol	0	0	0	0	(14,479)	(14,916)	(15,366)	(15,830)	(16,307)	(16,799)	(17,306)	(17,827)	(18,365)
Defease Highwey Bonds	0	40,000	(1,217)	(2,228)	(712)	(2,236)	(2,253)	(2,284)	(2,303)	(2,312)	(11,149)	(15,975)	(15,580)
Increase RTF Program	0	0	10,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total	0	39,685	16,214	19,668	4,675	2,518	2,049	1,553	1,056	553	(8,792)	(14,141)	(14,285)
SURPLUS/(DEFICIT)													
Current Level	9,555	3,416	6,896	7,609	8,258	5,715	3,242	678	(1,966)	(4,690)	(7,512)	(10,426)	(13,039)
New Proposals	9,555	(36,269)	(9,318)	(12,058)	3,583	3,197	1,193	(875)	(3,021)	(5,244)	1,280	3,714	1,246
ENDING BALANCE													
Current Level	76,711	80,127	87,023	94,632	102,890	108,606	111,848	112,526	110,560	105,870	98,359	87,932	74,893
New Proposals	76,711	40,442	31,124	19,066	22,649	25,846	27,039	26,164	23,142	17,899	19,179	22,894	24,140

5401-01 GENERAL OPERATIONS PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	143.12	-9.00	2.15	136.27	-9.00	2.15	136.27
Personal Services	4,847,906	-291,418	67,511	4,623,999	-269,928	67,836	4,645,814
Operating Expenses	2,946,975	585,145	1,771,750	5,303,870	537,939	1,582,075	5,066,989
Equipment	616,428	-224,148	284,700	676,980	-351,628	308,700	573,500
Grants	0	75,000	0	75,000	75,000	0	75,000
Debt Service	12,101	0	0	12,101	-5,543	0	6,558
Total Agency Costs	**8,423,410**	**$144,579**	**$2,123,961**	**$10,691,950**	**$-14,160**	**$1,958,611**	**$10,367,861**
State Special Revenue Fund	8,160,404	65,334	2,074,261	10,299,999	-93,405	1,908,911	9,975,910
Federal Special Revenue Fund	263,006	79,245	49,700	391,951	79,245	49,700	391,951
Total Funding Costs	**8,423,410**	**$144,579**	**$2,123,961**	**$10,691,950**	**$-14,160**	**$1,958,611**	**$10,367,861**

Present Law Mandates

The general operations program is mandated and/or governed by the following state and federal laws:

US Code 134, 135; Title 23, USC 134 & 135; MCA, Title 60-3-201, 204, 205, 206, 209 & 211; Title 15-70 MCA, Title 23 Chap.1 CFR; Title 17 MCA; 17-7-111 MCA, 17-7-112 MCA; 60-21-101, MCA; Statutory requirements found at 23 CFR 771.111(h), 23 USC 128 and 40 CFR, 1500-1508, 36 CFR 800, 33 CFR 115.60, 325 and 327, as well as NEPA and MEPA; Logo signs statutory requirements found at 60-5-501 to 527, MCA, OAC authorization found at 75-15-101 to 134, MCA and 23 CFR, Ch.1, Part 750; 2-15-2505, MCA; 14-70-124, MCA; 2-18-102(2), MCA; Delegate authority for personnel administration and classification 2-18-201, MCA; Classification 2-18-203,MCA; Classification appeals 49-3-201, MCA; Governmental Code of Fair Practices 2-15-112, MCA; Duties and powers of department head 2-18-301, MCA; Pay administration 39-31-101, MCA; Collective bargaining 2-18-1001, MCA; Grievance procedure 23 CFR 230, Sub D; EEO Contact Compliance 23 CFR 200, Sub C; Title VI Compliance 23 CFR 230, Sub C; Title VII Compliance 49 CFR 23.1(a)& DBE; Program and components 49 CFR 23.43(a)(2); Davis Bacon Act 29 CFR 5.1 & Copeland Act 23 USC 114; Contract Work Hours and Safety Standards Act Federal-aid Highways and amending legislation 42 USC S12101; American With Disabilities Act of 1990.

Present Law Base

Personal Services - FTE are reduced by 9.00 FTE due to removal from the base of the following items appropriated in the 1995 biennium: 5.00 FTE for tax compliance activities, eliminated due to enactment of HB539; 2.00 FTE for systems programming as a result of changes made by the federal ISTEA; and 2.00 FTE for development of a new financial management system, also as a result of changed made by the federal ISTEA. Expenditures associated with these FTE are not reflected in the FY94 adjusted base. Personal services are reduced by approximately $122,000 expended in FY94 for early retirement payouts. The balance increase is due to standard present law base adjustments for personal services.

Operating Expenses - Inflation/deflation factors reduce expenditures by $17,000 in FY96 and $25,000 in FY97, mostly due to deflation in DoA computer processing and communications costs. Fixed cost items increase by $357,000 in FY96 and $253,000 in FY97, primarily as a result of SFCAP assessments (FY94 assessments represented only 50% of annual assessments due to enactment of HB21 in the December 1993 special session, effective January 1, 1994). Other

significant increases include: $125,000 per year for telephone communications due to planned increases in the department's 1-800 lines; $100,000 in FY96 and $125,000 in FY97 for maintenance of computer and duplicating equipment; $70,000 per year in travel associated with the department membership in various professional organizations and multi-state tax compacts; $50,000 per year for ISD network charges due to a greater number of department PCs connected to the network; $29,000 in FY96 and $10,000 in FY97 due to transition to new duplicating technology, temporarily requiring supply inventories for two systems; $19,000 per year for postage due to increased activities planned for tax compliance, motor carrier, and contract activities; $12,000 per year for training; $10,000 per year for advertising public safety announcements; $22,000 in FY97 for contract services. Significant decreases include: $114,000 per year for computer processing due to development of MOTRS (see new proposals); $25,000 per year for equipment rentals, due to department purchase of office equipment; $36,000 in FY96 for contract services.

Equipment - The department reduced its equipment request by approximately $500,000 over the biennium from what otherwise would be requested due to purchase of equipment in FY95.

Grants - There is an apparent increase of $75,000 due to the department accounting for this expenditure in a SBAS center which is not otherwise included in the budget because the center is assumed to be used exclusively for statutorily appropriated distributions to local governments. The department will revise its accounting procedures for this expenditure in the future.

New Proposals

Personal Services Reduction - The general operations program is reduced by 5.85 FTE and approximately $179,000 per year as part of the proposed pay plan recommendation.

Motor Fuels Tax Compliance - The executive budget recommends 7.00 FTE and $256,000 in FY96 and $246,000 in FY97 for fuels tax audits and related activities. The department was authorized 5.00 FTE additional for added tax compliance activities in the current biennium. In the 1993 session, the fiscal note for HB539, which changed the point of taxation for diesel and special fuels from the retail to the distributor level, indicated that a 1995 biennium increase of 5.00 FTE would not continue into the 1997 biennium if HB539 were enacted. Due to enactment of HB539, these 5.00 FTE were removed from the department's present law base. Due to FTE reductions in the 1993 session, the department requests continuation of these 5.00 FTE plus an additional 2.00 FTE. The department estimates a 9:1 return on compliance functions for fuels tax revenues. In addition, the department requires additional FTE in order to comply with requirments of the International Fuels Tax Agreement (IFTA) of which the state is a member.

Commercial Driver Drug Testing - There is 1.00 FTE and approximately $96,000 per year recommended for drug testing of department and other state agency employees with commercial driver licenses. Drug testing of such employees is required by federal law as a condition of receiving federal funding.

Data Processing Equipment - The executive budget recommends $254,000 in FY96 and $289,000 in FY97 for upgrades to the department's local area network, computer disk storage, and software licenses. This appropriation is recommended for the 1997 biennium only.

Rewire MDT Complex - There is $189,675 recommended for FY96 only, not to continue into the 1999 biennium, for replacement of data network wire plant in the Helena DoT complex. A portion of this initiative is being funded in a new proposal request for the Department of Administration, funded by state-wide data network fees.

Contract Fuels Tax Audit - Approximately $185,000 per year is recommended for the 1997 biennium only for contract audits of fuels tax payors, consultanting contracts, and utility relocations. The

department currently has a backlog of audits which must be completed prior to a three-year statute of limitations. In addition, the department is required under provisions of the International Fuels Tax Agreement (IFTA) and International Registration Program (IRP) to conduct a certain level of compliance audits. Due to these IFTA and IRP requirements, the department has diverted resources from audits of consulting contracts and utility relocations which are required by federal grant conditions.

Project Financial Management System - In the 1995 biennium, the department was authorized for 2.00 FTE and systems development costs on a one-time basis, to develop an integrated financial management system for highway projects, as a result of changes in accounting, monitoring, and billing required by the Intermodal Surface Transportation Act (ISTEA). Due to delays in completing this project, the department will require continuation of this project into the 1997 biennium. The executive budget recommends $66,000 per year for the 1997 biennium only. The department will evaluate the need for FTE and if required, will establish modified-level FTE but such positions will be temporary.

Privatize Data Entry - In order to absorb the executive budget's proposed FTE reduction in the general operations program of 5.38 FTE, the department will require $20,000 per year to contract for data entry services.

Dyed Fuel Pilot Project - The executive budget recommends $100,000 per year for a pilot project to test for the highway use of dyed fuel. High-sulphur fuel, which is dyed red at the refinery, is not taxed by either the federal government or state and may be used only for off-highway use by federal and state law. Preliminary results from tests this biennium indicate 40% of samples taken by the department contain dyed fuel. The department has been negotiating with the Internal Revenue Service for federal participation in the costs of the pilot project. However, at this time, the department will proceed with the project at state-only expense. If federal participation becomes available, the department would operate the pilot project with federal funds.

IFTA/IRP Grant - In the current biennium, the department was appropriated for approximately $50,000 per year in federal highway administration grant funds for consulting, travel, and computer equipment costs associated with state participation in the International Fuels Tax Agreement (IFTA) and International Registration program, as required by the federal ISTEA. Due to uncertainties at the time, the appropriation did not continue in the base for the 1997 biennium. The department is now certain of continuing federal support and therefore requests continuation of this appropriation.

MOTRS System Support - The executive budget recommends $1,086,000 per year for contract systems of the department's Montana Tax and Revenue System (MOTRS). The department has entered into a contract with the Lockheed Corporation for development of the MOTRS, an integrated motor carrier registration and fuels tax financial system, for accounting, auditing, cashiering, and accounts receivable functions. This system will be developed by the end of the 1995 biennium and will required ongoing contract support in the 1997 biennium.

Funding

Funding for the general operations program is primarily from highway special revenues. Federal Highway Administration funding is available for certain program functions, primarily the civil rights bureau, safety and training bureau, and public information.

5401-02 CONSTRUCTION PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	849.08	10.15	29.00	888.23	10.15	30.00	889.23
Personal Services	30,527,844	-224,159	686,783	30,990,468	-89,289	705,748	31,144,303
Operating Expenses	161,186,315	50,450,628	14,945,347	226,582,290	28,405,094	19,722,215	209,313,624
Equipment	1,520,579	-972,277	563,295	1,111,597	-722,413	251,880	1,050,046
Capital Outlay	5,741,034	-341,034	246,000	5,646,000	-341,034	246,000	5,646,000
Grants	815,724	-657,724	400,000	558,000	-657,724	500,000	658,000
Total Agency Costs	**199,791,496**	**$48,255,434**	**$16,841,425**	**$264,888,355**	**$26,594,634**	**$21,425,843**	**$247,811,973**
State Special Revenue Fund	52,042,105	8,432,847	11,615,230	72,090,182	8,174,322	16,522,714	76,739,141
Federal Special Revenue Fund	147,749,391	39,822,587	5,226,195	192,798,173	18,420,312	4,903,129	171,072,832
Total Funding Costs	**199,791,496**	**$48,255,434**	**$16,841,425**	**$264,888,355**	**$26,594,634**	**$21,425,843**	**$247,811,973**

Present Law Mandates

The construction program is mandated and/or governed by the following state and federal laws: 60-2-201 MCA & 23 USC 114.

Proposed Bill Language

The department has historically been authorized to transfer budget authority between fiscal years for construction and maintenance programs due to the unpredictability of construction schedules and winter maintenance. The executive budget recommends continuation of the following bill language:

> "The department may adjust appropriations and FTE in the construction, interfund transfers, and maintenance programs between fiscal years to reflect actual expenditures related to the construction work plan and maintenance activities."

The department has also historically been authorized to make transfers between state special and federal revenue authorities for the construction and transportation planning programs since changes in construction schedules can significantly affect the average state match rate and because the department must expend state funds prior to receiving federal reimbursements. The executive budget recommends the following bill language:

> "The department may adjust appropriations in the construction and transportation planning programs between state special and federal revenue fund types, provided that state special revenue authority is not increased by more than 10% of the program's appropriation established by the legislature. All transfers between fund types must be fully explained and justified on budget documents submitted to the office of budget and program planning, and all fund transfers of over $1 million in any 30-day period must be communicated to the legislative finance committee in a written report."

Present Law Base

Personal Services - FTE increases are due to: transfer of 14.50 FTE to the maintenance program; increase of 24.65 FTE in order to result in total FTE level estimated by the department construction management system (CMS) to be necessary for construction projects anticipated in the 1997 biennium. The department has historically been allowed to make such adjustments to current-level FTE. Major changes in annual expenditures include: a reduction of $1.6 million due to early

retirement payments made in FY94; an increase of $600,000 in overtime; an increase of $540,000 due to addition of 24.65 FTE; a reduction of $400,000 due to transfer of 14.50 FTE. The balance change from FY94 to the 1997 biennium is due to standard present law base adjustments to personal services.

Operating Expenses - The predominant increase in operating expenses is $47.8 million in FY96 and $25.8 million in FY97 for contractor highway construction payments. This "bulge" in highway construction is due to bottlenecks the department has experienced in getting construction projects to contract in the current biennium. Consultant engineering increases $6.2 million per year. These increases are offset by a decrease of $4.8 million per year in contractor payments for utility relocations. Other significant increases include: $500,000 in FY96 and $300,000 in FY97 for equipment rental; $300,000 in FY96 and $400,000 in FY97 for travel; and $100,000 per year for supplies.

Capital Outlay - Right-of-way acquisitions dependent on the nature of construction projects planned for the 1997 biennium. The department assumes 3% of an annual $180 million construction program.

Grants - Present law base reflects $158,000 per year for local technical assistance program (LTAP) grants to MSU. The $638,000 balance includes grants to local communities in air quality nonattainment areas for sweepers to control dust caused by road sanding.

New Proposals

Personal Services Reduction - The construction program is reduced by $194,000 in FY96 and $203,000 in FY97 in vacancy savings, equivalent to about 0.65% of present law base personal services. The reduction in funding is split 50:50 to state and federal funding.

Increase Reconstruction Trust Program - The executive budget recommends an increase of $10 million in FY96 and $15 million in FY97 for 100% state-funded reconstruction and pavement preservation, commonly referred to as the reconstruction trust fund (RTF) program. This increase would add to the present law base funding for the RTF of approximately $20 million per year for a total state-funded program of $30 million in FY96 and $35 million in FY97 and thereafter. The department projects increases in fuels tax revenues higher than was previously anticipated following enactment of SB257 in the 1993 session, which raised gas and diesel tax rates by $0.07 per gallon (see discussion regarding cash balance projections in the highway special revenue account, at the beginning of the department's budget narrative). Due to the higher than expected revenues and the executive budget plan to fund the highway patrol from the general fund beginning in the 1999 biennium, the department is in a position to significantly increase its maintenance of the physical condition of state roads, sustaining this increase over the long term without requiring an increase in the fuels tax rates. The department will initially use the bulk of the increase for pavement preservation projects while preparing the preconstruction engineering and related activities for major reconstruction work in the 1999 biennium. As short-term pavement preservation needs are met, the department will then shift RTF resources into major reconstruction projects.

Environmental Engineers - The executive budget recommends 5.00 FTE and approximately $177,000 per year, funded at an 80:20 federal/state match, for additional staff in the environmental bureau for completion of environmental documents increasingly required by the federal and state law for utility relocations and right-of-way acquisitions. The department has identified environmental requirements as a critical bottleneck in the preconstruction process.

Environmental Impact Specialist - The executive budget recommends 1.00 FTE and approximately $36,000 per year, funded at an 86:14 federal/state match, for biological resources work required for construction project environmental documents, increasingly required by the federal and state law for utility relocations and right-of-way acquisitions. The department has identified environmental

requirements as a critical bottleneck in the preconstruction process.

Project Designers - The executive budget recommends 5.00 FTE and approximately $182,000 per year, funded at an 86:14 federal/state match, for additional project design staff in order to in-sure timely development of construction projects. The additional staff is required due to increasing requirements to produce design alternatives as a result of changes in environmental regulations, public involvement, and construction design standards.

Pavement Management System - The executive budget recommends 3.00 FTE and approximately $95,000 per year, funded at an 80:20 federal/state match, for technical planning staff required to support the pavement management system, one of six management systems required by the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. The pavement management system is intended to support timely decisions concerning repair and rehabilitation of the state highways.

Bridge Design - The executive budget recommends 3.00 FTE and approximately $167,000 in FY96 and $87,000 in FY97, funded at an 86:14 federal/state match, for additional engineers due to extensive changes in American Association of Highway Transportation Officers (AASHTO) standards for design of highway bridges. These new design standards will increase the workload associated with bridge design, but are expected to reduce construction costs. The recommendation includes $80,000 in FY96 for engineering consultants while DoT staff become fully trained in application of the new design standards.

Wetland Mitigation Program - The executive budget recommends 3.00 FTE and $585,000 per year for implementation of a Montana State Wetlands Program, as required by the federal Clean Water Act. A federal/state match of 80:20 is available for acquisition costs and for 2.00 FTE environmental engineers and a federal/state match of 86:14 is available for a right-of-way purchase officer. The department will coordinate statewide acquisition of wetland areas as a "bank" to mitigate impacts to state wetland areas as a result of highway construction, environmental cleanups, parks/wildlife management, etc. The department will coordinate this effort with state and federal agencies, and Indian Tribes to minimize costs and effectively manage the state wetland ecosystems.

Stormwater Discharge Permits - The executive budget recommends 4.00 FTE and approximately $390,000 per year, funded at an 86:14 federal/state match, for staff and permit fees associated with Department of Health and Environmental Sciences (DHES) stormwater discharge permit program, as required under the Montana pollutant discharge elimination system regulations, recently implemented in the current biennium. A new 1.00 FTE will be required to identify projects which require permitting and to develop and submit permit applications to DHES, while 3.00 FTE are required to develop erosion control plans required for storm water discharge permits on highway construction projects. This request includes $250,000 per year for permit fees.

Research Staff - The executive budget recommends 1.00 FTE and approximately $29,000 per year, funded at an 80:20 federal/state match, for additional staff in the research unit due to increased federal funding for research purposes which may not be used for any other purpose. The department's research unit conducts literature searches, writes technical reports, and monitors research projects intended to identify improved construction and maintenance materials and techniques.

Safety Management System - The executive budget recommends 1.00 FTE and approximately $36,000 per year, funded at an 86:14 federal/state match, for support staff associated with the safety management system, one of six management systems required by the Intermodal Surface

Transportation Efficiency Act (ISTEA) of 1991.

Bridge Seismic Retrofits - The executive budget recommends 1.00 FTE and approximately $36,000 per year, funded at an 86:14 federal/state match, for an additional bridge design engineer. The department has completed seismic analyses of current bridges and will now begin development of retrofits for critical, earthquake-vulnerable bridges.

Community Transportation Enhancement Program (CTEP) - The executive budget recommends 1.00 FTE and approximately $37,000 per year, funded at an 86:14 federal/state match, for staff to assist local agencies in project development and construction-related activities funded by the CTEP, recently authorized by the federal ISTEA.

Bridge Management System - The executive budget recommends 1.00 FTE and approximately $33,000 per year, funded at an 86:14 federal/state match, for engineering support staff for the bridge management system, one of six management systems required by the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991.

Metric Conversion - A restricted appropriation is recommended for the 1997 biennium only for costs associated with conversion to the metric system in all department functions, as required by federal law. The federal Highway Administration has recently announced that it will postpone enforcement of this requirement with respect to highway signs. However, the department requests FY97 budget authority of $538,544 in state special revenue and $3,474,456 in federal revenue authority, contingent upon FWHA enforcement of signage requirements in the 1997 biennium. The department intends to proceed with metric conversion for its internal operations, and therefore, requests $627,110 and $45,951 in state special revenue authority for FY96 and FY97, respectively, matched by federal funds of $3,819,237 in FY96 and $115,215 in FY97. Federal funds expended for this purpose will reduce the amount of funds available for highway construction. The executive budget proposes the following bill language:

> "The department's appropriations in item [] includes $538,544 in FY97 state special revenue authority and $3,474,456 in FY97 federal revenue authority, which is contingent upon the federal government enforcing a requirement to convert highway signs to the metric system in the 1997 biennium."

City Park Rest Area - The executive budget recommends a restricted appropriation for the 1997 biennium only of $400,000 in FY96 and $500,000 in FY97 from highway special revenues for construction of additional city park rest areas on the state highway system. The department was funded for the 1993 biennium for construction of city park rest areas but was not funded for this program in the 1995 biennium. The city park rest area program was implemented in 1991 as a means of providing rest areas along high-volume primary routes at lower construction and maintenance costs compared to road-side rest areas. The program gives small communities an opportunity to encourage primary system travellers to use community services. Nine Montana communities have expressed interest in participation for the 1997 biennium. The program is intended to be reauthorized each biennium, rather than becoming a permanent part of the base budget.

Pavement Binder Testing - The executive budget recommends 1.00 FTE and approximately $37,000 per year beginning in FY97 and ongoing thereafter, funded at an 80:20 federal/state match, for additional staff in the materials testing unit due to a change in specifications for pavement binders.

Global Positioning System (GPS) - The executive budget recommends $120,000 per year for the 1997 biennium only, funded by highway special revenues, for GPS equipment used for surveying

construction sites. GPS is used to determine survey points using orbiting satellites, resulting in more accurate surveys and reducing surveying workload.

Miscellaneous New Equipment - The executive budget recommends, for the 1997 biennium only, approximately $260,000 in FY96 and $120,000 in FY97 for a wide variety of office, computer, tools, and pavement testing equipment.

Funding

The federal-aid construction program, including preconstruction, is funded by state highway special revenues and matching federal highway administration grants, at an average match rate of approximately 86%. The 100% state-funded reconstruction trust program is currently funded by highway special revenues and coal trust investment earnings.

5401-03 MAINTENANCE PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	637.38	14.50	-72.95	578.93	14.50	-72.95	578.93
Personal Services	23,585,752	842,563	-2,449,193	21,979,122	952,207	-2,458,551	22,079,408
Operating Expenses	33,587,118	1,680,768	1,000,000	36,267,886	2,296,619	1,000,000	36,883,737
Equipment	811,289	-608,716	124,781	327,354	-612,765	124,781	323,305
Capital Outlay	96,191	13,911	0	110,102	13,911	0	110,102
Total Agency Costs	**58,080,350**	**$1,928,526**	**$-1,324,412**	**$58,684,464**	**$2,649,972**	**$-1,333,770**	**$59,396,552**
State Special Revenue Fund	58,060,596	1,948,280	-1,324,412	58,684,464	2,669,726	-1,333,770	59,396,552
Federal Special Revenue Fund	19,754	-19,754	0	0	-19,754	0	0
Total Funding Costs	**58,080,350**	**$1,928,526**	**$-1,324,412**	**$58,684,464**	**$2,649,972**	**$-1,333,770**	**$59,396,552**

Present Law Mandates

The maintenance program is mandated and/or governed by the following state and federal laws: 60-2-203, MCA; and 23 USC 116.

Present Law Base

Personal Services - FTE increase is due to transfer of 14.50 FTE from the construction program to the maintenance program. Personal service expenditures decrease by $780,000 due to early retirement payments made in FY94 and increase by $400,000 per year due to the transfer of 14.50 FTE. The balance increase is due to standard present law base adjustments for personal services.
Operating Expenses - The predominant increase in operating expenses is for inflation factors applied to commodities, primarily road oil products and paint, and for utilities. These inflationary increases are approximately $725,000 in FY96 and $1,656,000 in FY97. Other significant increases include: $454,000 per year for field equipment and supplies encompassing such items as guard rails, signs, bridge beams, and improvements to fuel facility sites; $200,000 for county weed control (for a total of $802,647 per year); $87,000 per year for contract rest area maintenance, reflecting additional rest areas; and an increase of $162,000 in FY96 but a decrease of $65,000 in FY97 for equipment rentals.
Capital Outlay - The department requests approximately $110,000 per year for relocations and improvements to maintenance sites.

New Proposals

Personal Services Reduction - The maintenance program is reduced by 72.95 FTE and approximately $2.45 million per year. The department will absorb the proposed reduction by reorganizing and consolidating its maintenance house stations throughout the state. The savings is intented to be used for the 1997 biennium pay plan.

Hazardous Waste Cleanup - A restricted appropriation of $1 million per year is proposed for the 1997 biennium only to continue efforts to remedy, mitigate and prevent hazardous waste contaminations at maintenance facilities statewide. The department was funded for $1 million each year of the 1995 biennium to develop a plan for hazardous waste cleanup and management. This appropriation is not included in the adjusted base. The department projects that it will require several years before all hazardous waste contaminations are remedied and maintenance facilities are in compliance with a waste management plan. The department will request reauthorization of this initiative until completed. The department will also evaluate the need and cost-effectiveness of using state FTE in this effort and will establish temporary modified-level FTE if necessary.

Radio Equipment - The executive budget recommends approximately $125,000 per year for the 1997 biennium only for purchase of radio communications systems for maintenance workers in areas where existing two-way radio communication is not available.

Funding

The maintenance program is funded by highway special revenues.

5401-07 STATE MOTOR POOL

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	5.00	.00	.00	5.00	.00	.00	5.00
Personal Services	154,329	17,624	0	171,953	18,142	0	172,471
Operating Expenses	293,188	30,286	64,431	387,905	43,978	103,618	440,784
Equipment	360,911	323,744	690,079	1,374,734	402,632	444,937	1,208,480
Total Agency Costs	**808,428**	**$371,654**	**$754,510**	**$1,934,592**	**$464,752**	**$548,555**	**$1,821,735**
Proprietary Fund	808,428	371,654	754,510	1,934,592	464,752	548,555	1,821,735
Total Funding Costs	**808,428**	**$371,654**	**$754,510**	**$1,934,592**	**$464,752**	**$548,555**	**$1,821,735**

Present Law Mandates

The state motor pool is mandated by 2-17-411, MCA.

Present Law Base

Personal Services - Increase is attributable to standard present law base adjustments for personal services.

Operating Expenses - Significant approximate increases include: $18,000 per year for DoA insurance costs; $9,000 in FY96 and $22,000 in FY97 inflation on gasoline; and $3,000 per year for vehicle maintenance.

Equipment - Increase is due to the staggered, three-year replacement cycle for existing vehicles. Amounts reflected in the present law base do not increase the motor pool fleet.

New Proposals

Outstationed Motor Pool Vehicles - The executive budget recommends approximately $755,000 in FY96 and $549,000 in FY97 for purchase of vehicles to be leased to four state agencies throughout the state outside of the Helena motor pool in lieu of these agencies purchasing replacement vehicles. The Departments of Revenue, Corrections & Human Services, Family Services, and Labor & Industry all maintain substantial fleets of their own vehicles, for use in field offices located throughout the state. Each of these agencies have budget authority in the present law base for replacement vehicles. This initiative would reduce these agencies' budgets for purchase of vehicles, resulting in no net increase in the number of state vehicles, but transferring responsibility for management of these vehicles to the state motor pool. Motor pool management of these vehicles is expected to be cost effective because the motor pool is in the business of fleet management, has systems for tracking vehicle maintenance, and can effectively minimize the cost per mile for necessary state travel. Incentives in the budget process also discourage agencies from managing vehicle fleets in the most cost-effective manner. The motor pool would charge the established per mile rental rate, would arrange for fuel at state fueling network sites, and provide all scheduled and unscheduled maintenance. Each affected agency budget also is recommended to be reduced for gasoline and maintenance costs. These changes are contingent upon approval of this executive budget recommendation. The net fiscal impact of this proposal for participating agencies is shown in the following table:

	FY96				
	Revenue	Corrections	Labor&Ind	FamilyServ	Total
# Vehicles	10	35	3	5	53
Rental	29,800	58,459	9,749	20,808	118,816
Gasoline	(5,050)	(10,607)	(2,293)	(5,000)	(22,950)
Maintenance	(2,220)	(10,902)	(1,067)	(2,000)	(16,189)
Equipment	(149,600)	(454,700)	(40,800)	(50,500)	(695,600)
Total	(127,070)	(417,750)	(34,411)	(36,692)	(615,923)
General Fund	(127,070)	(417,750)	0	(36,692)	(581,512)
Other Funds	0	0	(34,411)	0	(34,411)

	FY97				
	Revenue	Corrections	Labor&Ind	FamilyServ	Total
# Vehicles	10	13	4	3	30
Rental	64,900	114,375	25,547	36,298	241,120
Gasoline	(10,100)	(13,453)	(4,577)	(8,000)	(36,130)
Maintenance	(4,440)	(13,727)	(2,093)	(3,200)	(23,460)
Equipment	(138,200)	(172,000)	(50,800)	(31,200)	(392,200)
Total	(87,840)	(84,805)	(31,923)	(6,102)	(210,670)
General Fund	(87,840)	(79,931)	0	(6,102)	(173,873)
Other Funds	0	(4,874)	(31,923)	0	(36,797)

Funding

The state motor pool is funded by rental charges paid by state agencies which use motor pool vehicles.

5401-08 EQUIPMENT PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	122.00	.00	-6.00	116.00	.00	-6.00	116.00
Personal Services	4,309,988	249,398	-198,454	4,360,932	269,008	-199,153	4,379,843
Operating Expenses	5,412,943	-88,047	0	5,324,896	74,533	0	5,487,476
Equipment	5,848,545	-828,740	271,511	5,291,316	-270,386	0	5,578,159
Total Agency Costs	**15,571,476**	**$-667,389**	**$73,057**	**$14,977,144**	**$73,155**	**$-199,153**	**$15,445,478**
Proprietary Fund	15,571,476	-667,389	73,057	14,977,144	73,155	-199,153	15,445,478
Total Funding Costs	**15,571,476**	**$-667,389**	**$73,057**	**$14,977,144**	**$73,155**	**$-199,153**	**$15,445,478**

Present Law Mandates

As a support program, the equipment program is authorized by statutes governing the construction and maintenance programs.

Present Law Base

Personal Services - Personal services expenditures decrease by approximately $100,000 per year due to early retirement payments in FY94. Balance increase is attributable to standard present law base adjustments for personal services.

Operating Expenses - Significant approximate increases include: $107,000 in FY96 and $263,000 in FY97 for inflation factors applied to gasoline and diesel fuel; $4,000 in FY96 and $11,000 in FY97 for inflation factors applied to oil products and paint. Significant approximate decreases include: $181,000 per year for DoA insurance costs; $15,000 per year for contract services.

New Proposals

Personal Services Reduction - The equipment program is reduced by 6.00 FTE and approximately $200,000 per year to provide adequate funding for the proposed 1997 biennium pay plan.

Miscellaneous New Equipment - The executive budget recommends, for FY96 only, approximately $272,000 for various new equipment items including tractors, belly dump trailers, pup trailers, an air compressor, and grout station.

Funding

The equipment program is funded by internal service (proprietary) charges for use of department equipment paid by the construction and maintenance programs.

5401-11 INTERFUND TRANSFERS PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Transfers	10,010,642	20,827,070	0	30,837,712	25,732,617	0	35,743,259
Total Agency Costs	**10,010,642**	**$20,827,070**	**$0**	**$30,837,712**	**$25,732,617**	**$0**	**$35,743,259**
State Special Revenue Fund	10,010,642	20,827,070	0	30,837,712	25,732,617	0	35,743,259
Total Funding Costs	**10,010,642**	**$20,827,070**	**$0**	**$30,837,712**	**$25,732,617**	**$0**	**$35,743,259**

Present Law Mandates

The interfund transfers program is essentially an accounting mechanism for transfers of highway special revenues to the statutorily-required reconstruction trust account. Insofar as the transfers are specifically authorized by statute, budgeting for this transfer within the same fund type and agency is not mandated by law nor required by state accounting or budgeting procedures.

Present Law Base

Transfers - The present law base transfers are increased to the level required to support the reconstruction trust program as proposed in the executive budget. The increases are due to the following: $5 million due to underexpenditure of the RTF program in FY94; $5 million due to proposed changes in the allocation of coal trust investment revenues; $10 million in FY96 and $15 million in FY97 due to proposed increases in the RTF program.

Funding

The interfund transfers program transfers revenues from the highway special revenue account to the reconstruction trust fund.

5401-12 STORES INVENTORY

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Operating Expenses	16,498,402	4,774,007	0	21,272,409	5,701,940	0	22,200,342
Total Agency Costs	**16,498,402**	**$4,774,007**	**$0**	**$21,272,409**	**$5,701,940**	**$0**	**$22,200,342**
State Special Revenue Fund	16,498,402	4,774,007	0	21,272,409	5,701,940	0	22,200,342
Total Funding Costs	**16,498,402**	**$4,774,007**	**$0**	**$21,272,409**	**$5,701,940**	**$0**	**$22,200,342**

Present Law Mandates

Expenditures for stores commodities are implicitly mandated by state and federal laws governing the construction and maintenance programs. The stores program is essentially an accounting mechanism in which expenditures for commodities are double appropriated--once in the stores program and again in the construction and maintenance programs as commodities are "sold" to these two operating

programs. The doubleappropriation for commodities is not mandated by state or federal laws nor required by generally-accepted accounting principles.

Present Law Base

Operating Expenses - Significant approximate increases include: $656,000 in FY96 and $1,604,000 in FY97 due to inflation factors applied primarily to oil products, gasoline and diesel fuels, and paint; $3.4 million per year for road oil attributable to the proposed increase in RTF pavement preservation; $350,000 per year for sign materials due to the department's contingency for metric conversion of signs; $277,000 per year for paint to meet environmental standards for road striping; $222,000 for chemical de-icing material due to the inability to use salt or sand in certain areas as a result of environmental regulations; $69,000 per year for cutting edges due to depleted inventories; $26,000 in FY96 and $5,000 in FY97 for equipment rental; and $5,000 per year for broom fillers used in sweeping on chip seal projects due to proposed increase in RTF pavement preservation efforts. Significant approximate decreases include $222,000 per year for road salt due to greater use of chemical de-icers; and $8,000 per year in consulting services.

Funding

The stores program is funded by highway special revenues for purchase of road maintenance and construction commodities. These commodities are then "sold" to the maintenance and construction programs, with revenues deposited back to the highway special revenue account.

5401-22 MOTOR CARRIER SERVICES DIV.

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	112.03	.00	-.40	111.63	.00	-.40	111.63
Personal Services	3,211,410	157,926	-127,458	3,241,878	174,038	-127,922	3,257,526
Operating Expenses	705,545	76,214	120,000	901,759	64,140	120,000	889,685
Equipment	65,288	51,312	0	116,600	-16,688	0	48,600
Total Agency Costs	3,982,243	$285,452	$-7,458	$4,260,237	$221,490	$-7,922	$4,195,811
State Special Revenue Fund	3,973,805	293,890	-7,458	4,260,237	229,928	-7,922	4,195,811
Federal Special Revenue Fund	8,438	-8,438	0	0	-8,438	0	0
Total Funding Costs	3,982,243	$285,452	$-7,458	$4,260,237	$221,490	$-7,922	$4,195,811

Present Law Mandates

The motor carrier services program is mandated by Title 61, Chapter 9, MCA.

Present Law Base

Personal Services - Personal services decrease by approximately $55,000 due to early retirement payouts in FY94. Overtime is increased by approximately $6,000 per year. The balance increase is due to standard present law base adjustments for personal services.

Operating Expenses - Approximate significant increases include: $49,000 per year for travel expenses due to reallocation of FTE from weigh stations to mobile enforcement activities; $20,000 per year for credit card transaction fees due to higher usage of credit card payments and higher transaction fees; $11,000 per year for increases in professional organization dues; $5,000 per year for computer supplies due to greater PC usage in weight stations; $3,000 per year for computer equipment maintenance. Significant decreases include $18,000 per year for consulting services.

Equipment - Equipment request for FY96 includes $68,000 for mobile enforcement activities.

New Proposals

Personal Services Reduction - The motor carrier services program is reduced by 0.40 FTE and approximately $11,000 per year. The program is also reduced by approximately $116,000 per year in vacancy savings, equivalent to about 3.5% of present law base personal services in support of the proposed pay plan.

Intelligent Vehicle Highway System - The executive budget recommends $35,000 per year for a consultant contract to develop planning for the use of intelligent vehicle highway systems (IVHS) technologies in partnership with other western states. IVHS encompasses a wide variety of technologies to improve the efficiency, safety and effectiveness of transportation systems. Of particular interest to the department is implementation of technologies with the potential for reducing department costs while improving service and efficiency for the motor carrier industry. For example, intelligent vehicle system technologies could make it possible to weigh vehicles and check registrations while in motion, making it unnecessary for motor carriers to stop at weigh stations unless out of compliance, or to automate safety inspections, reducing the time required to conduct roadside safety inspections.

Network Weigh Stations - The executive budget recommends $85,000 per year to network all weigh stations, allowing greater use of information technologies to improve efficiencies. Weigh stations are currently connected by dial-up modem technology, which is expensive and is highly limited as a network infrastructure. Communication charges will increase by $100,000 per year while long distance phone charges will decrease by approximately $15,000 per year.

Funding

The motor carrier services program is funded by highway special revenues.

5401-40 AERONAUTICS PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	10.24	.00	-.50	9.74	.00	-.50	9.74
Personal Services	321,622	38,437	-11,482	348,577	39,937	-11,515	350,044
Operating Expenses	261,717	150,719	0	412,436	151,098	0	412,815
Equipment	29,421	-6,421	0	23,000	-20,921	0	8,500
Grants	0	100,000	0	100,000	100,000	0	100,000
Transfers	6,726	6,727	0	13,453	6,727	0	13,453
Total Agency Costs	619,486	$289,462	$-11,482	$897,466	$276,841	$-11,515	$884,812
State Special Revenue Fund	491,521	236,700	0	728,221	224,133	0	715,654
Federal Special Revenue Fund	73,576	25,424	0	99,000	25,424	0	99,000
Proprietary Fund	54,389	27,338	-11,482	70,245	27,284	-11,515	70,158
Total Funding Costs	619,486	$289,462	$-11,482	$897,466	$276,841	$-11,515	$884,812

Present Law Mandates

The aeronautics program is mandated and/or governed by the following state and federal laws: 67-1-102,MCA; Search and rescue program expansion 67-2-105, 67-2-401, MCA; To register Montana-based aircraft and pilots 67-1-105, 67-3-101, 67-3-102, 67-3-103, 67-3-104, 67-3-105,

67-3-201, 67-3-202, 67-3-203, 67-3-204, 67-3-205, 67-3-206, 67-3-211, 67-1-102, 67-5-101, MCA; Flight safety 67-2-101, MCA; 67-2-101, MCA; 67-2-101, MCA; 67-1-105, 67-3-401, 67-3-402, 67-3-403, 67-3-404, 67-3-405, MCA; 67-2-101, MCA; 67-1-104, MCA; 67-2-301, 67-2-302, MCA. 49 USC 1354 (2) and 1422; 49 USC 1356 - 1358, 1421, 1655 (c); Public Law 463, 81st Congress; 67-1-301, 67-1-304, MCA; National SAR Plan (Public Law 557) Contractual agreement between United States Air Force Air Rescue Coordination Center and Montana Governor.

Present Law Base

Personal Services - Increase is attributable to standard present law base adjustments for personal services.

Operating Expenses - Significant approximate increases include: $54,000 per year for consultant services to develop the aviation information management system and to determine construction and maintenance needs at public use airports; $34,000 per year for travel; $14,000 per year for DoA insurance; $12,000 per year for fuel due to increased search and rescue activities; $11,000 for pilot training; $6,000 per year for contract janitorial services due to elimination of FTE; and $7,000 in FY96 and $6,000 in FY97 for miscellaneous supplies.

Grants - There is an apparent increase of $100,000 due to the use of a budget amendment in the FY94 base year for grants associated with the aviations fuels tax increase (HB645) passed by the 1993 legislature. This budget amendment is not included in the adjusted base.

Transfers - For transfer of the airline property tax received from Gallatin county to the West Yellowstone airport proprietary account.

New Proposals

Personal Service Reduction - The aeronautics program is reduced by 0.50 FTE and approximately $11,500 per year as part of the pay plan funding target. The affected funding source is the West Yellowstone airport proprietary account.

Funding

The Aeronautics Program is funded by state aviation fuels taxes and federal aviation administration grants. The operations of the West Yellowstone airport is funded from a proprietary account by local property taxes and landing fees.

5401-50 TRANSPORTATION PLANNING DIVISI

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	54.90	-4.00	1.70	52.60	-4.00	1.70	52.60
Personal Services	1,796,087	-67,499	43,998	1,772,586	-59,344	44,243	1,780,986
Operating Expenses	673,425	9,341	800,000	1,482,766	42,423	250,000	965,848
Equipment	89,753	-12,953	0	76,800	-72,253	0	17,500
Grants	2,185,712	-197,928	0	1,987,784	-197,928	0	1,987,784
Total Agency Costs	**4,744,977**	**$-269,039**	**$843,998**	**$5,319,936**	**$-287,102**	**$294,243**	**$4,752,118**
General Fund	28,360	-28,360	150,000	150,000	-28,360	250,000	250,000
State Special Revenue Fund	662,114	190,522	130,274	982,910	187,534	287	849,935
Federal Special Revenue Fund	4,054,503	-431,201	563,724	4,187,026	-446,276	43,956	3,652,183
Total Funding Costs	**4,744,977**	**$-269,039**	**$843,998**	**$5,319,936**	**$-287,102**	**$294,243**	**$4,752,118**

Present Law Mandates

The transportation planning program is mandated and/or governed by the following statutes: 15-70-101, MCA; 60-3-206, MCA; 60-21-101, MCA.

Present Law Base

Personal Services - FTE reductions are due to removal from the base of 4.00 FTE appropriated for development of the state transportation improvement plan (STIP). The expenditures associated with these 4.00 FTE are not reflected in the adjusted base. Reductions in personal services are attributable to standard present law base adjustments for personal services.

Operating Expenses - Significant approximate increases include: $31,000 in FY97 for consultant services; $9,000 in FY96 for DoT equipment pool rental charges.

Grants - Significant changes include an approximate $575,000 decrease in federal transit administration section 3 grants and an increase of $315,000 in grants to metropolitan planning organizations (MPOs) as authorized by the federal ISTEA.

New Proposals

Personal Services Reduction - The transportation planning program is reduced by 2.30 FTE and approximately $86,000 per year, split 70:30 between federal/state funding sources, to provide funding for the 1997 biennium pay plan.

Transportation Improvement Plan - The executive budget recommends 4.00 FTE and approximately $130,000 per year, funded at an 80:20 federal/state match, for continuation on a permanent basis of state transportation improvement planning (STIP) efforts, as required by the federal Intermodel Surface Transportation Efficiency Act (ISTEA). This iniative is funded for the 1995 biennium but was not included in the base for the 1997 biennium. Now that administrative rules have been published, the department requests permanent funding.

Highway Information System - The executive budget recommends a restricted appropriation for FY96 only, of $650,000, funded at an 80:20 federal/state match, for development of the Highway Information system, one of six management systems required by the federal ISTEA. This initiative is funded in the 1995 biennium but due to delays in publication of federal regulations, the department is uncertain of its ability to complete development of the system by the end of the current biennium. This appropriation would provide the department with the flexibility of extending the completion date for the project.

McCarty Farms Litigation - The executive budget recommends a restricted, biennial general fund appropriation of $400,000 in the 1997 biennium only, for costs of expert testimony associated with the McCarty Farms, et. al. lawsuit against Burlington Northern Railroad (BN), alleging that BN charged unjust and unreasonable rates for the shipment of wheat. The plaintiffs are seeking damages for the period of time BN is alleged to have charged unlawful rates, a change in the manner in which BN sets its shipping rates in the future, and recovery of litigation costs. The state of Montana is a party to the plaintiffs in this lawsuit and has pledged to support the costs of expert testimony required in prosecuting this highly complex case. Upon settlement or judgment, the state anticipates reimbursement, with interest, for these costs. To date, the state has expended the following amounts (projected for FY95-FY97; estimated interest based on Wharton Econometrics average short-term interest):

Fiscal Year	Annual Expend.	Estimated Interest	Total	Interest Rate	
1982	$ 9,615	$ 622	$ 10,237	12.93%	
1983	46,350	3,368	49,718	10.08%	
1984	16,280	6,360	22,640	9.34%	
1985	142,846	13,600	156,446	8.83%	
1986	241,956	25,201	267,157	7.00%	
1987	181,652	37,612	219,264	6.30%	
1988	257,936	61,519	319,455	7.20%	
1989	132,535	94,228	226,763	8.48%	
1990	61,403	108,488	169,891	8.33%	
1991	63,883	98,578	162,461	6.69%	
1992	75,762	76,021	151,783	4.63%	
1993	95,150	61,315	156,465	3.40%	
1994	99,500	72,988	172,488	3.72%	
1995	586,375	107,959	694,334	4.54%	(est.)
1996	150,000	142,134	292,134	4.98%	(est.)
1997	250,000	171,318	421,318	5.36%	(est.)
Total	2,411,243	1,081,312	3,492,555		

The administration is committed to continued prosecution of the McCarty case in order to provide rate relief for Montana farmers and to recover the nearly $2.4 million in state expenditures and lost interest to date. Up to this point in the litigation, the courts have made determinations on two of three major issues in this case--that the state was a "captive market" for BN, and that the rates charged by BN were excessive. The third issue, the extent to which rates were excessive, has been remanded to the Interstate Commerce Commission (ICC). The plaintiffs have recently filed arguments with the ICC which is now pending BN rebuttal.

Funding

The transportation planning program is funded by highway special revenues, federal highway administration grants, and various other US department of transportation grants. A portion of the state special revenue funding is pass-through funds received from local governments for use as matching funds on federal grants. Department expenses associated with the McCarty Farms lawsuit is funded with general fund. The department currently receives a minor amount of general fund for state match of federal rail planning grants. The FY94 base year general fund in the rail planning program has been replaced with highway special revenues in the present law base for the 1997 biennium. 1997 biennium funding shifts from federal sources to state sources due to discontinued federal grant programs, new grant programs requiring state matching funds, and changes in federal matching funds and/or lower match rates for certain functions.

Department of Revenue

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	684.14	-57.50	21.75	648.39	-57.50	21.75	648.39
Personal Services	17,292,642	1,428,964	-332,222	18,389,384	1,524,214	-334,629	18,482,227
Operating Expenses	4,719,420	355,144	85,826	5,160,390	447,806	108,696	5,275,922
Equipment	456,303	-133,917	41,844	364,230	-164,224	-135,800	156,279
Debt Service	298,518	-93,414	0	205,104	-93,414	0	205,104
Total Agency Costs	**22,766,883**	**$1,556,777**	**$-204,552**	**$24,119,108**	**$1,714,382**	**$-361,733**	**$24,119,532**
General Fund	20,520,178	2,114,416	-290,788	22,343,806	2,304,944	-433,436	22,391,686
State Special Revenue Fund	747,076	50,918	113,554	911,548	50,653	99,172	896,901
Federal Special Revenue Fund	196,692	45,359	-9,668	232,383	45,416	-9,702	232,406
Proprietary Fund	1,302,937	-653,916	-17,650	631,371	-686,631	-17,767	598,539
Total Funding Costs	**22,766,883**	**$1,556,777**	**$-204,552**	**$24,119,108**	**$1,714,382**	**$-361,733**	**$24,119,532**
Directors Office	1,011,042	210,284	-70,441	1,150,885	104,987	-70,441	1,045,588
Operations Division	2,328,138	233,265	42,350	2,603,753	237,506	-108,520	2,457,124
Liquor Division	576,296	-55,688	0	520,608	-53,679	0	522,617
Income Tax	4,602,370	434,953	70,904	5,108,227	449,913	41,595	5,093,878
Corporation Tax	1,526,607	144,302	-38,763	1,632,146	155,462	-38,899	1,643,170
Property Valuation	12,722,430	589,661	-208,602	13,103,489	820,193	-185,468	13,357,155
Total Program Costs	**22,766,883**	**$1,556,777**	**$-204,552**	**$24,119,108**	**$1,714,382**	**$-361,733**	**$24,119,532**

MISSION STATEMENT: The Department of Revenue's mission is to insure full and fair compliance with all state tax laws; to assist taxpayers in fulfilling their obligations to the state; to maximize the raising and uses of taxpayer funds by maintaining an efficient and timely mechanism for the collection and deposit of revenues; and to implement all department responsibilities with professionalism, integrity and efficiency.

5801-01 DIRECTORS OFFICE

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	21.00	.00	-1.00	20.00	.00	-1.00	20.00
Personal Services	810,667	93,530	-70,441	833,756	103,164	-70,441	843,390
Operating Expenses	193,582	118,297	0	311,879	3,366	0	196,948
Equipment	6,793	-1,543	0	5,250	-1,543	0	5,250
Total Agency Costs	**1,011,042**	**$210,284**	**$-70,441**	**$1,150,885**	**$104,987**	**$-70,441**	**$1,045,588**
General Fund	807,504	287,799	-64,940	1,030,363	221,363	-64,940	963,927
State Special Revenue Fund	2,274	1,269	0	3,543	-2,274	0	0
Federal Special Revenue Fund	1,269	-330	0	939	-1,269	0	0
Proprietary Fund	199,995	-78,454	-5,501	116,040	-112,833	-5,501	81,661
Total Funding Costs	**1,011,042**	**$210,284**	**$-70,441**	**$1,150,885**	**$104,987**	**$-70,441**	**$1,045,588**

Present Law Mandates

The Director's Office operates pursuant to 2-15-1301, MCA, which establishes the Department of Revenue and 2-15-1302, MCA, which specifies the authorities of the director.

Present Law Base

Personal Services - An adjustment of approximately $48,000 per year is made due to a system anomaly in the calculation of personal services for a deputy director position. This position is to be eliminated in the personal services reduction. The remaining increases are attributable to the standard personal service adjustments.

Operating Expenses - The increase in FY96 is due to budgeting for legislative audit fees, which are not included in the base.

New Proposals

Personal Services Reduction - The Director's Office is reduced by 1.00 FTE and approximately $70,000 per year due to the elimination of a deputy director position in a department reorganization.

Funding

In the 1995 and preceding biennia, the Director's Office has been funded primarily with general fund and liquor enterprise funds. The relative proportion of these two funding sources was based on previous budget periods and has been subject to many incremental changes over the years. The use of liquor enterprise funds is virtually synonymous with the use of general fund insofar as liquor enterprise profits are transferred to the general fund; therefore, a decrease in the use of liquor enterprise funds and an increase in general fund results in a zero net impact to the general fund since increased expenditures are offset by increase revenues.

As a result of an interim audit recommendation of the Office of the Legislative Auditor, liquor enterprise funding in the present law base for the Director's Office and Operations Division has been adjusted to be consistent with a specific methodology for allocating agency-wide overhead costs to the liquor merchandising operation. The methodology used for the 1997 biennium is based on the department's allocations of agency-wide overhead to the liquor merchandising operation as reflected in the department's 1993 annual report for the liquor enterprise. For the 1997 biennium, the Director's Office is funded 7.81% from liquor enterprise funds. Compared to the 1995 biennium, liquor enterprise funding for the Director's Office is reduced by approximately $177,000, with a

commensurate increase in general fund.

Audit costs are based on agency-wide proportions of funding, with adjustments to liquor merchandising to take into consideration the audit effort devoted to liquor inventories.

5801-02 OPERATIONS DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	73.25	.00	.00	73.25	.00	.00	73.25
Personal Services	1,997,266	168,173	-107,650	2,057,789	178,718	-108,520	2,067,464
Operating Expenses	320,405	46,409	0	366,814	48,105	0	368,510
Equipment	10,467	18,683	150,000	179,150	10,683	0	21,150
Total Agency Costs	**2,328,138**	**$233,265**	**$42,350**	**$2,603,753**	**$237,506**	**$-108,520**	**$2,457,124**
General Fund	1,704,780	484,590	59,128	2,248,498	488,215	-91,411	2,101,584
State Special Revenue Fund	96,712	9,690	-4,629	101,773	9,866	-4,843	101,735
Proprietary Fund	526,646	-261,015	-12,149	253,482	-260,575	-12,266	253,805
Total Funding Costs	**2,328,138**	**$233,265**	**$42,350**	**$2,603,753**	**$237,506**	**$-108,520**	**$2,457,124**

Present Law Mandates

As a support unit, the Operations Division is indirectly authorized by all other statututes authorizing Department of Revenue functions and programs. In addition, the Operations Division distributes liquor, beer, and wine tax proceeds to local governments pursuant to 16-1-404, 410, and 411, MCA.

Present Law Base

Personal Services - The increase in personal services is attributable to standard personal services adjustments, most significantly, full funding of all authorized positions in the present law base (the Operations Division experienced a 10% vacancy rate in terms of total authorized hours in the FY94 base year).

Operating Expenses - Approximately $36,000 per year increase is attributable to contract services associated with seasonal mailroom processing of income tax returns, in lieu of diverting other department resources as occurred in the FY94 base year.

Equipment - Budgeted equipment is for scheduled replacement of high-use computer equipment.

New Proposals

Personal Services Reductions - The Operations Division is reduced by approximately $108,000 per year in vacancy savings, equivalent to 5% of present law base personal services.

Mailroom/Cashiering Automation - A $150,000 biennial/restricted appropriation is recommended for development and installation of state-of-the-art mail processing and cashiering systems. The department's current mail handling and cashiering processes for approximately 1.6 million income tax returns and quarterly filings per year are manual operations, creating backlogs in the timely deposit of cash into the state treasury and bottlenecks in subsequent processing of returns. It is expected that automation of mailroom and cashiering functions would directly affect quarterly withholdings and indirectly affect processing of income tax returns by allowing the department to redirect resources. This and other initiatives for the income tax division are intended to enable the department to progress towards its goal of cashiering all payments within five working days and

processing all refunds and business tax documents within a minimum of six weeks. This appropriation is not intended to continue into the 1999 biennium.

Funding

Funding for the Operations Division is from general fund, liquor enterprise funds, and old fund liability tax (OFLT) revenues. Compared to the 1995 biennium, funding from the liquor enterprise has been reduced by approximately $554,000, with a commensurate increase in general fund. Liquor enterprise funding is based on 10.82% of the program budget, less funding from OFLT. See the base funding summary under the Director's Office for further discussion of the change in liquor enterprise funds.

5801-05 LIQUOR DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	9.00	2.00	.00	11.00	2.00	.00	11.00
Personal Services	299,723	19,674	0	319,397	20,952	0	320,675
Operating Expenses	223,569	-22,358	0	201,211	-21,627	0	201,942
Equipment	53,004	-53,004	0	0	-53,004	0	0
Total Agency Costs	**576,296**	**$-55,688**	**$0**	**$520,608**	**$-53,679**	**$0**	**$522,617**
General Fund	0	258,759	0	258,759	259,544	0	259,544
Proprietary Fund	576,296	-314,447	0	261,849	-313,223	0	263,073
Total Funding Costs	**576,296**	**$-55,688**	**$0**	**$520,608**	**$-53,679**	**$0**	**$522,617**

Present Law Mandates

The Liquor Division operates the state liquor merchandising system, administers alcohol beverage tax programs, and licensing pursuant to Title 16, Chapters 1 through 6, MCA.

Present Law Base

Personal Services - Although the program tables reflect a 2.00 FTE present law base adjustment, this merely reflects a reallocation of division administration from the liquor merchandising language appropriation to a regular line-item appropriation. The increase in personal services expenditures is attributable to the standard present law base adjustments for personal services.

Operating Expenses - The reduction is primarily attributable to lower contract services and warrant writing costs.

Equipment - The reduction reflects expenditures in FY94 for point-of-sale equipment which are not continued in the 1997 biennium.

New Proposals

Personal Services Reduction - The liquor merchandising operations (appropriated by bill language) is reduced by 4.00 FTE and approximately $150,000 per year.

Funding

Present law base funding for the Licensing Bureau has been changed from liquor enterprise funds to the general fund as a result of an interim audit recommendation of the Office of the Legislative Auditor. The use of liquor enterprise funds is virtually synonymous with the use of general fund insofar as liquor enterprise profits are transferred to the general fund; therefore, a decrease in the use

of liquor enterprise funds and an increase in general fund results in a zero net impact to the general fund since increased expenditures are offset by increase revenues. Funding for division administration is from liquor enterprise funds. The liquor merchandising operation, which includes purchasing, warehouse, and retail stores, is appropriated from liquor enterprise funds by general appropriations act language. The budget program table shown above reflects the costs of the merchandising operation under FY94 actuals, but because of the language appropriation, is not reflected in base figures.

Proposed Bill Language

The executive budget proposes the following bill language for appropriation of the liquor merchandising system, which is modified slightly from current appropriations language as a result of the interim audit recommendation discussed above and to clarify ambiguities in the current language:

> "Liquor division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor merchandising operation are appropriated to the department. During the 1997 biennium, the division shall attempt to return at least 10% of net sales to the general fund. Net sales are gross sales less discounts and all taxes collected. The division shall limit biennial operational expenses of the liquor merchandising system to not more than 15% of the net sales. For purposes of this expense limitation, operational expenses include all merchandising expenses, including depreciation, plus central agency overhead expenditures, but do not include product costs and freight charges."

The following table reflects a projection of the operating results of the liquor merchandising system for the 1997 biennium:

LIQUOR ENTERPRISE PROJECTED OPERATING RESULTS
1997 Biennium

	FY96	FY97	Biennium
REVENUES			
Gross Sales	51,796,907	52,815,440	104,612,347
Less Discounts	(670,805)	(683,996)	(1,354,801)
Less Excise/Lic Taxes	(10,688,251)	(10,898,424)	(21,586,675)
Net Sales	40,437,851	41,233,020	81,670,871
Other Income	15,404	15,404	30,808
Total Merch. Revenues	40,453,255	41,248,424	81,701,679
EXPENDITURES			
CENTRAL AGENCY OVERHEAD			
Director's Office	85,157	87,162	172,319
Legislative Audit	18,192	18,192	36,384
EB FTE Reductions	(5,501)	(5,501)	(11,002)
Operations	265,631	266,071	531,702
EB FTE Reductions	(12,149)	(12,266)	(24,415)
Total Overhead	351,330	353,658	704,988
LIQUOR MERCHANDISING			
Purchasing	220,440	221,749	442,189
Cost of Goods	28,870,000	29,447,400	58,317,400
Warehouse	377,954	382,208	760,162
Stores	4,895,567	4,909,714	9,805,281
Freight	438,132	438,132	876,264

EB FTE Reductions	(148,814)	(149,504)	(298,318)
Division Administration	261,849	263,073	524,922
Total Merchandising	34,915,128	35,512,772	70,427,900
TOTAL EXPENDITURES	35,266,458	35,866,430	71,132,888
NET OPERATING COSTS	6,396,458	6,419,030	12,815,488
Costs (-freight +deprec)	6,083,326	6,105,898	12,189,224
Cost Margin			14.92%
Difference (budget - 15% limit)			(61,407)
PROFIT			
Gross Profits	5,186,797	5,381,994	10,568,791
Less Inventory Shortage	(55,000)	(55,000)	(110,000)
Less Retained Earnings (Depr)	(125,000)	(125,000)	(250,000)
Net Profit to GF	5,006,797	5,201,994	10,208,791
Profit Margin			12.50%
LIQUOR ENTERPRISE DISTRIBUTIONS			
Net Profits	5,006,797	5,201,994	10,208,791
License Fees	1,470,579	1,470,579	2,941,158
Excise Taxes	6,680,157	6,811,515	13,491,672
Total General Fund	13,157,533	13,484,088	26,641,621
License Taxes	4,008,094	4,086,909	8,095,003
Total Distributions	17,165,627	17,570,997	34,736,624

5801-06 INCOME TAX

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	127.15	.00	7.50	134.65	.00	7.50	134.65
Personal Services	3,158,853	327,153	-4,436	3,481,570	344,657	-4,741	3,498,769
Operating Expenses	1,391,176	120,941	44,396	1,556,513	127,997	43,936	1,563,109
Equipment	52,341	-13,141	30,944	70,144	-22,741	2,400	32,000
Total Agency Costs	**4,602,370**	**$434,953**	**$70,904**	**$5,108,227**	**$449,913**	**$41,595**	**$5,093,878**
General Fund	3,984,062	423,915	-76,374	4,331,603	435,980	-91,617	4,328,425
State Special Revenue Fund	618,308	11,038	147,278	776,624	13,933	133,212	765,453
Total Funding Costs	**4,602,370**	**$434,953**	**$70,904**	**$5,108,227**	**$449,913**	**$41,595**	**$5,093,878**

Present Law Mandates

The Income & Miscellaneous Tax Division administers tax programs as required by: Title 15, Chapters 1, 25, 30, 32, 33, 50, 53, 60, and 65, MCA; Title 30; 72-14-1 through 3, MCA; and Title 72, Chapter 16, MCA; 70-9-105, MCA; Title 16, Chapter 11, Parts 1-2, MCA; Title 69, Chapter 1, Part 4, MCA; Title 10, Chapter 4, MCA; Title 16, Chapter 10, Part 2, MCA; Title 15, Chapter 53,

MCA; 17-3-301, MCA; and Title 35, Chapter 18, MCA.

Present Law Base

Personal Services - Approximately $90,000 per year is due to inclusion of ongoing FTE appropriated by HB504 for administration of the revised old fund liability tax. The remaining increase in personal services is attributable to standard present law base adjustments; significantly, the division experienced nearly a 9% vacancy rate in terms of authorized hours in the FY94 base year.

Operating Expenses - Operating expenses increase by approximately $155,000 per year due to fixed cost adjustments, primarily warrant writing services due to an accounting change in the State Auditor's budget, and increased rates for general services rent. Computer processing rate deflation offsets these increases by approximately $30,000 per year.

New Proposals

Personal Services Reduction - The Income Tax Division is reduced by approximately $174,000 per year in vacancy savings, equivalent to 5% of present law base personal services, in order to fund the recommended 1997 biennium pay plan.

Old Fund Liability Tax (OFLT) Processing - An increase of 5.50 FTE and approximately $137,000 in FY96 and $125,000 in FY97 is recommended for processing the old fund liability tax, funded by OFLT revenues. In the 1995 biennium, the department was authorized for an additional 3.75 FTE due to major changes enacted by the 1993 legislature affecting workers' compensation payroll and self-employment income. In its first year of experience with the new OFLT, error rates and other processing workload have been substantially higher than originally anticipated. Although error rates should decrease after an initial period of taxpayer education, the department expects OFLT workload will continue at higher levels than originally estimated. The higher-than- expected OFLT workload has adversely affected the timely processing of quarterly business filings. This and other initiatives for the income tax and operations divisions are intended to enable the department to progress towards its goal of cashiering all payments within five working days and processing all returns within a minimum of six weeks.

Electronic Data Interchange/Funds Transfer - An increase of 1.00 FTE and approximately $56,000 in FY96 and $39,000 in FY97 is recommended for the 1997 biennium only for development of electronic data interchange (EDI) and electronic funds transfer (EFT) systems. An additional 1.00 FTE and approximately $52,000 per year is recommended on an ongoing basis to support the department's EDI/EFT systems. Funding for this initiative is from general fund and OFLT revenues, based on the relative proportions of income tax and OFLT filings. In FY95, the department anticipates implementation of a pilot project involving approximately 200 employers. Funding for this initiative will allow the department to continue to expand the number of participating filers, either on a voluntary basis or resulting from a gradually phased-in requirement pursuant to proposed department legislation. There is increasing demand from taxpayers for electronic tax systems. In addition, development of such systems has the potential for significant operating cost savings by reducing paper volumes, increased revenues by accelerating treasury deposits, and improving service by reducing the time required to process refunds. This and other initiatives for the income tax and operations divisions are intended to enable the department to progress towards its goal of cashiering all payments within five working days and processing all returns within a minimum of six weeks.

Funding

The Income & Miscellaneous Tax Division is funded primarily from general fund. Consistent with the philosophy that every tax program should bear its own administrative costs, earmarked miscellaneous tax revenues are appropriated in general proportion to the level of effort associated with administration of these tax programs. These miscellaneous tax programs include (in order of

appropriation amounts): old fund liability tax, cigarette tax, accommodations tax, unclaimed property, various tax return "check-offs", and the emergency telephone tax.

5801-07 CORPORATION TAX

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	35.18	.00	-1.25	33.93	.00	-1.25	33.93
Personal Services	1,041,930	170,064	-38,763	1,173,231	176,225	-38,899	1,179,256
Operating Expenses	459,168	-11,964	0	447,204	-5,863	0	453,305
Equipment	25,509	-13,798	0	11,711	-14,900	0	10,609
Total Agency Costs	**1,526,607**	**$144,302**	**$-38,763**	**$1,632,146**	**$155,462**	**$-38,899**	**$1,643,170**
General Fund	1,301,402	69,692	0	1,371,094	79,649	0	1,381,051
State Special Revenue Fund	29,782	28,921	-29,095	29,608	29,128	-29,197	29,713
Federal Special Revenue Fund	195,423	45,689	-9,668	231,444	46,685	-9,702	232,406
Total Funding Costs	**1,526,607**	**$144,302**	**$-38,763**	**$1,632,146**	**$155,462**	**$-38,899**	**$1,643,170**

Present Law Mandates

The Natural Resources & Corporate Tax Division administers tax programs as required by: Title 15, Chapters 31-33, 35-38, 51, and 59. The division also operates federal royalty audits per 30 USC Section 1735.

Present Law Base

Personal Services - Personal services increase by approximately 17% due to standard personal services adjustments. Significantly, the division experienced a 14% vacancy savings in terms of authorized hours in the FY94 base year.

New Proposals

Personal Services Reduction - The Natural Resources & Corporate Tax Division is reduced by 1.25 FTE and approximately $39,000 per year. The department will eliminate 1.00 FTE currently budgeted for state lands royalty audits. The department will continue to perform royalty audits for state lands but will manage a position budgeted in the Department of State Lands. The department also will eliminate a 0.25 FTE in the federal royalty audit program as part of the pay plan funding proposal.

Funding

The Natural Resource & Corporate Tax Division is funded primarily from the general fund. The division receives funding from the US Department of Interior for royalty audits associated with federal lands. The present law base also includes minor amounts of state special revenue received from the Department of State Lands for royalty audits associated with state lands (RITT funds) and from oil and gas well tax revenues.

5801-08 PROPERTY VALUATION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	418.56	-59.50	16.50	375.56	-59.50	16.50	375.56
Personal Services	9,984,203	650,370	-110,932	10,523,641	700,498	-112,028	10,572,673
Operating Expenses	2,131,520	103,819	41,430	2,276,769	295,828	64,760	2,492,108
Equipment	308,189	-71,114	-139,100	97,975	-82,719	-138,200	87,270
Debt Service	298,518	-93,414	0	205,104	-93,414	0	205,104
Total Agency Costs	**12,722,430**	**$589,661**	**$-208,602**	**$13,103,489**	**$820,193**	**$-185,468**	**$13,357,155**
General Fund	12,722,430	589,661	-208,602	13,103,489	820,193	-185,468	13,357,155
Total Funding Costs	**12,722,430**	**$589,661**	**$-208,602**	**$13,103,489**	**$820,193**	**$-185,468**	**$13,357,155**

Present Law Mandates

The Property Assessment Division operates state-wide property and appraisal functions as required by Title 15, Chapters 7, 8, and 23, MCA.

Present Law Base

Personal Services - Changes in FTE and approximate expenditures are due to the following factors:

Explanation	Change in Expend	Change in FTE
HB50 December 1993 special session, effective FY95.	-1,200,000	-45.00
FY94 vacancy savings (13%)	1,350,000	0.00
Payplan, insurance contribution	250,000	0.00
Conversion of elected assessors & deputies to state employees	200,000	0.00
Grade changes in classified positions	130,000	0.00
Workers' comp code changes	160,000	0.00
Partial continuation of SB168 approp	-115,000	-4.50
Partial continuation of HB643 approp	-65,000	-2.00
Overtime	-55,000	0.00
Termination of HB340 approp	0	-8.00
Total Approximate Change	655,000	-59.50

HB2 authorized and funded 9.50 FTE in FY94 only for workload associated with SB168 affecting the valuation of irrigated agricultural property. Of the 9.50 FTE, 2.00 FTE will continue on a permanent, ongoing basis. Under current law, the division will require 6.00 FTE every third calendar year of the appraisal cycle. Therefore, the division requires 3.00 FTE in the second half of FY96 and 3.00 FTE in the first half of FY97. In subsequent biennia, these 3.00 FTE would not be required in FY98, but would need to be reauthorized for FY99 and FY00, etc.

Operating Expenses - The approximate major changes by item are as follows:

Item	FY96	FY97
Inflation/Fixed Costs	60,000	85,000
Consultant Service	-185,000	-185,000
Postage	35,000	110,000 *

Printing	30,000	110,000 *
Nonstate Rent	45,000	50,000
Reference Materials	35,000	35,000
Gasoline	33,000	33,000
Computer Processing	22,000	22,000
Data Network Rates	20,000	20,000
Travel	13,000	13,000
Total Approx. Change	108,000	293,000

FY97 increases over FY96 for asterisked items are generally cyclical costs experienced in the third year of the appraisal cycle. Postage costs in FY97 assume bulk mailing rates by centralizing mailing of assessment notices and other division correspondence. If these notices were to be mailed from county offices, FY97 postage costs would be increased by approximately $145,000. The reduction in consultant costs is attributable to the CAMAS support contract ($50,000), and reductions in contracted appraisal and assessment work in various counties ($135,000).

Equipment - The division will spend less for replacement of computers.

Debt Service - Debt service payments for development of CAMAS and purchase of the division's midrange computer are approximately $93,000 less in FY96-FY97 than the FY94 base year because FY94 expenditures include delayed payments on FY93 obligations.

New Proposals

Personal Services Reduction - The Property Assessment Division is reduced by approximately $535,000 per year in vacancy savings, equivalent to 5% of present law base personal services, to provide pay plan funding.

Conversion of Elected Assessors and Deputies to State Employees - The budget for the Property Assessment Division is increased by 16.50 FTE and approximately $423,000 general fund per year to convert elected and deputy assessors to full-time state employees. HB50, enacted in the December 1993 special session, restructured county and state roles in the property appraisal and assessment process, allowing the department to achieve major cost savings due to reallocation of its resources among counties. HB50 reduced the department FY95 budget by 45.00 FTE and $1.2 million. Prior to enactment of HB50, elected assessors and deputies were budgeted as 0.70 FTE each in the department budget, but for 12 counties which already had consolidated their assessors offices with the state. HB50 required the state to participate in only 50% of the costs of elected assessors and provided for no state participation in the costs of deputy assessors. As a result, an additional 37 counties have since consolidated with the state. The department has provided affected assessors and deputies with full-time employment. In developing the fiscal note for HB50, the department did not take into consideration the conversion of elected and deputy assessors to full-time state employees, requiring an additional 27.30 FTE. However, the department estimates that it will require only an additional 16.50 FTE to adequately perform its appraisal duties.

Public Access Stations - The executive budget proposes $29,400 and $14,400 general fund in FY96-FY97, respectively, for installation of personal computers in county offices to provide public access to computerized property appraisal records. The department will utilize 30 older model PCs which would otherwise be surplused, connecting these PCs to the state computer network. These public access stations will allow taxpayers to more quickly receive requested information and reduce staff time devoted to public assistance.

Motor Pool Lease - For four state agencies with existing vehicle fleets stationed at locations outside the Helena area, the executive budget proposes to lease motor pool vehicles in lieu of agencies purchasing replacement vehicles. The proposal does not change the number of vehicles operated by

state agencies; it merely places responsibility for managing these vehicles with the state motor pool, rather than with individual agencies. For further explanation of potential cost savings, refer to the Department of Transportation (DOT) budget narrative. This new proposal would eliminate the scheduled purchase of replacement vehicles as reflected in the program present law base and replace this amount with the estimated rental charges paid to the motor pool. Gasoline and maintenance costs are also reduced since these items are covered under the motor pool rental rate. This new proposal is contingent upon approval of the associated new proposal contained in the executive budget for the DoT motor pool. The department would lease ten vehicles in FY96 and 20 vehicles in FY97; the net change to the present law base would be a reduction of approximately $127,000 in FY96 and $88,000 in FY97.

Property Improvement Fund (Language) - HB50, a bill to restructure the property assessment division enacted in the December 1993 special session, authorized the department to provide property appraisal data in computerized form, data which is public information, to interested parties for a fee. HB50 also provided an appropriation for recovery of associated costs and for the use of any excess proceeds for the improvement of property appraisal services. The department has already received requests for computerized property appraisal data but is unable, at this time, to accurately project demand. The executive budget proposes continuation of this appropriation and, in order to further develop this service, the executive budget proposes to authorize a general fund loan of up to $50,000, with the requirement that the loan be repaid, with interest, by the end of the 1997 biennium. The following language is proposed:

> "The department is appropriated in the 1997 biennium to expend revenues received by the property valuation improvement fund. In the 1997 biennium, the department is authorized to borrow up to $50,000 from the general fund for the property valuation improvement fund. The department must repay the loan by the end of the 1997 biennium, with interest equal to rates earned by the short-term investment pool."

Department of Administration

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	313.51	-.15	.08	313.44	3.85	.08	317.44
Personal Services	10,627,690	471,308	1,675,883	12,774,881	610,679	1,668,812	12,907,181
Operating Expenses	26,395,500	2,612,990	1,408,753	30,417,243	2,831,810	835,957	30,063,267
Equipment	4,054,950	-2,071,945	1,161,825	3,144,830	-2,535,849	1,053,575	2,572,676
Capital Outlay	30,229	-30,229	0	0	-30,229	0	0
Local Assistance	7,466	0	0	7,466	0	0	7,466
Transfers	109,325	-50,524	0	58,801	-50,524	0	58,801
Debt Service	1,026,971	22,890	44,000	1,093,861	64,057	44,000	1,135,028
Total Agency Costs	**42,252,131**	**$954,490**	**$4,290,461**	**$47,497,082**	**$889,944**	**$3,602,344**	**$46,744,419**
General Fund	3,242,447	12,692	467,853	3,722,992	-172	458,943	3,701,218
State Special Revenue Fund	967,773	-239,299	13,938	742,412	-225,971	13,746	755,548
Federal Special Revenue Fund	16,792	9,074	921,052	946,918	9,035	621,024	646,851
Capital Projects Fund	58,304	497	0	58,801	497	0	58,801
Proprietary Fund	37,966,815	1,171,526	1,437,618	40,575,959	1,106,555	1,058,631	40,132,001
Expendable Trust Fund	0	0	1,450,000	1,450,000	0	1,450,000	1,450,000
Total Funding Costs	**42,252,131**	**$954,490**	**$4,290,461**	**$47,497,082**	**$889,944**	**$3,602,344**	**$46,744,419**
Accounting & Mgmt Support Prog	1,283,443	206,775	-64,132	1,426,086	185,742	-64,413	1,404,772
Arch & Engineering Pgm	665,320	48,154	-26,062	687,412	51,482	-26,254	690,548
Procurement & Printing Div.	9,596,292	967,491	-27,421	10,536,362	1,290,558	-31,636	10,855,214
Information Services Division	18,895,601	-1,378,170	2,044,457	19,561,888	-1,936,812	1,518,171	18,476,960
General Services Program	3,955,081	98,145	207,039	4,260,265	163,460	206,447	4,324,988
Mail & Distribution Bureau	2,570,971	520,023	0	3,090,994	593,628	0	3,164,599
State Personnel Division	1,995,995	274,385	2,186,262	4,456,642	200,844	2,029,862	4,226,701
Risk Management & Tort Defense	2,898,579	204,529	-22,470	3,080,638	325,682	-22,658	3,201,603
State Tax Appeal Board	390,849	13,158	-7,212	396,795	15,360	-7,175	399,034
Total Program Costs	**42,252,131**	**$954,490**	**$4,290,461**	**$47,497,082**	**$889,944**	**$3,602,344**	**$46,744,419**

MISSION STATEMENT: To centrally provide for other state agencies various service and control functions which generally result in cost savings, more effective management or other benefits to employees and agencies.

6101-03 ACCOUNTING & MGMT SUPPORT PROG

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	30.86	-1.75	-2.36	26.75	-1.75	-2.36	26.75
Personal Services	961,072	120,731	-64,132	1,017,671	126,232	-64,413	1,022,891
Operating Expenses	319,727	88,688	0	408,415	62,154	0	381,881
Equipment	2,644	-2,644	0	0	-2,644	0	0
Total Agency Costs	**1,283,443**	**$206,775**	**$-64,132**	**$1,426,086**	**$185,742**	**$-64,413**	**$1,404,772**
General Fund	1,109,931	170,106	-55,609	1,224,428	138,202	-55,862	1,192,271
State Special Revenue Fund	0	15,000	0	15,000	25,000	0	25,000
Federal Special Revenue Fund	16,792	9,074	-8,523	17,343	9,035	-8,551	17,276
Proprietary Fund	156,720	12,595	0	169,315	13,505	0	170,225
Total Funding Costs	**1,283,443**	**$206,775**	**$-64,132**	**$1,426,086**	**$185,742**	**$-64,413**	**$1,404,772**

Present Law Mandates

The Director's Office is mandated by state law creating the Department of Administration. The Accounting and Treasury Bureaus are mandated by state law. Management support services and the legal unit are not specifically mandated by state law but are necessary for the effective and efficient execution of department statutory mandates. Division functions relating to the Cash Management Improvement Act are mandated by federal law.

Present Law Base

Personal Services - Present law base FTE adjustments reflect a decrease of 1.75 FTE due to the following: 2.00 FTE reflected under FY94 base FTE are for the Office of the Appellate Defender which currently operates under a statutory appropriation and therefore are not reflected in the present law base for the general appropriations act (expenditures are not included in FY94 base or present law base figures); an additional 0.25 FTE due to annualization of the appropriation made in the December 1993 special session for costs associated with HB21 which established the State Funds Cost Allocation Plan (SFCAP). Present law base expenditures increase due to: approximately $10,000 related to the addition of 0.25 FTE associated with HB21; approximately $35,000 due to vacancy savings attributable to the loan of the department deputy director to the Task Force to Renew State Government for about one-half of the FY94 base year; other standard present law base personal services adjustments.

Operating Expenses - Approximate significant increases include: $34,000 per year for DoA systems support of SBAS; $15,000 in FY96 and $25,000 in FY97 due to an accounting change recommended by legislative audit to reflect expenses for general services of financial advisor (no net change in department expenditures); $11,000 per year due to an accounting change for microfiche provided to other agencies recommended by legislative audit (no net change in department expenditures); $9,000 per year for computer processing.

New Proposals

Personal Services Reduction - The Director's Office and the Accounting/Management Support Division is reduced by 2.36 FTE as part of the pay plan funding recommendation. Funding reductions primarily affect general fund. The reduction of 0.25 FTE affects the federal grant for administration of the Cash Management Improvement Act.

Funding

The Director's Office, Accounting, Treasury, and Management Support Bureaus are funded with general fund. The department operates the legal and data processing support units with internal cost recovery (proprietary accounts). The Treasury Bureau receives minor funding from the Department of Commerce Investment Division proprietary account. Costs for general services of the state's financial advisor are funded from fees (state special revenues) charged for department administered bond issues. Costs associated with compliance with the federal Cash Management Improvement Act are reimbursed by the US Treasury Department.

Proposed Bill Language

The department has historically had a general fund appropriation attached to its agency appropriations by bill language for the transition costs of a Governor-elect in gubernatorial election years. The recommended appropriation language and amount is consistent with those made in previous biennia. The executive budget proposes the following language:

> "The governor-elect program is appropriated all necessary expenses, up to $50,000 from the general fund in fiscal year 1997, to implement the provisions of 2-15-221."

The department also has historically received a language appropriation for transfer of capitol land grant funds to the long-range building debt service fund. The following language recommended by the executive budget is consistent with bill language in previous biennia, with minor changes in language only for greater clarity and brevity:

> "Funds remaining in the capitol land grant account of the capital projects fund, after all other appropriations are met, are appropriated to the long-range building debt service fund for the payment of principal and interest on bond issues for public buildings at the capitol, not to exceed the annual debt service required on these bonds."

6101-04 ARCH & ENGINEERING PGM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	14.46	.00	-.46	14.00	.00	-.46	14.00
Personal Services	474,567	50,870	-26,062	499,375	52,925	-26,254	501,238
Operating Expenses	183,910	-1,225	0	182,685	2,548	0	186,458
Equipment	6,843	-1,491	0	5,352	-3,991	0	2,852
Total Agency Costs	**665,320**	**$48,154**	**$-26,062**	**$687,412**	**$51,482**	**$-26,254**	**$690,548**
State Special Revenue Fund	665,320	48,154	-26,062	687,412	51,482	-26,254	690,548
Total Funding Costs	**665,320**	**$48,154**	**$-26,062**	**$687,412**	**$51,482**	**$-26,254**	**$690,548**

Present Law Mandates

The division adminsters the state Long-Range Building Program in accordance with Titles 17 and 18, MCA.

Present Law Base

Personal Services - Increase is attributable to standard present law base adjustments for personal services.

New Proposals

Personal Services Reduction - The division is reduced by 0.46 FTE and approximately $26,000 per year in order to achieve the required savings for the 1997 biennium pay plan.

Funding

The division is funded by funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenditures.

6101-06 PROCUREMENT & PRINTING DIV.

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	55.17	.00	-1.17	54.00	4.00	-1.17	58.00
Personal Services	1,603,883	70,964	-62,421	1,612,426	165,766	-66,636	1,703,013
Operating Expenses	7,741,824	931,288	35,000	8,708,112	1,213,993	35,000	8,990,817
Equipment	182,695	-10,195	0	172,500	-43,195	0	139,500
Capital Outlay	6,175	-6,175	0	0	-6,175	0	0
Debt Service	61,715	-18,391	0	43,324	-39,831	0	21,884
Total Agency Costs	9,596,292	$967,491	$-27,421	$10,536,362	$1,290,558	$-31,636	$10,855,214
General Fund	379,509	32,037	-4,470	407,076	36,163	-4,487	411,185
Proprietary Fund	9,216,783	935,454	-22,951	10,129,286	1,254,395	-27,149	10,444,029
Total Funding Costs	9,596,292	$967,491	$-27,421	$10,536,362	$1,290,558	$-31,636	$10,855,214

Present Law Mandates

The Publications and Graphics, Property and Supply, and Purchasing Bureaus are mandated by state law.

Present Law Base

Personal Services - Increases in FY96 and a like amount in FY97 are mostly attributable to standard present law base adjustments for personal services. In FY97, 4.00 FTE and approximately $100,000 is added for printing workload associated with the 1997 legislative session. This is consistent with the odd-year increase provided in previous biennia. Overtime is increased by $8,000 in FY96 and $21,000 in FY97.

Operating Expenses - Goods for resale increase by approximately $651,000 in FY96 (9.5%) and by $923,000 in FY97 (13.5%). These increases are attributable estimated increases in both volume and prices and are mostly attributable to the Property and Supply Bureau. The natural gas procurement program is increased by $200,000 per year for purchase of storage gas. Only very small amounts of storage gas were purchased in the FY94 base year. Other approximate significant increases include: $50,000 per year for fixed cost items and standard inflation; $12,000 per year for travel; $15,000 in FY97 for maintenance of printing equipment; $5000 per year for rent paid to the Department of Social and Rehabilitative Services; and $5000 per year for grounds maintenance provided by a private vendor at the Property and Supply warehouse.

Debt Service - Debt service obligations for the Property and Supply inventory control system are reduced by $18,000 in FY96 and by $40,000 in FY97.

New Proposals

Personal Services Reduction - The division is reduced by 2.17 FTE and approximately $80,000 per year in proprietary revenue authority and $4,000 per year general fund as part of the pay plan recommendation.

Print Shop Consolidation - As a result of language contained in HB2 which required agencies which currently operate in-house print facilities to review the cost effectiveness of their operations compared to department services, the Department of Labor and Industry (DoLI) has closed its in-house duplicating facility. The Publications & Graphics (P&G) Bureau will require an additional 1.00 FTE and budget authority for materials to absorb this additional volume; this FTE was transferred from DoLI to DoA in the 1995 biennium. In its 1997 biennium budget request, DoLI reports a reduction of 2.50 FTE and a reduction in budget authority of approximately $85,000 per year. Other agencies operating in-house print facilities include the Departments of Justice, Fish, Wildlife & Parks, and Transportation. The DoT facility is not under consideration for closure because it is primarily producing highly specialized printing for construction engineering. DoJ intends to continue its in-house print shop until the current incumbent retires, expected sometime in the 1995 biennium. FWP intends to make a decision by the end of FY95.

Funding

The Publications & Graphics and Property & Supply Bureaus are funded by proprietary revenues from charges to state agencies and local governments for goods and services. The Purchasing Bureau is funded primarily by general fund. Incidental and pass-through costs associated with the statewide vehicle fueling and natural gas procurement programs, administered by the Purchasing Bureau, are funded by proprietary revenues derived from overhead charges to participating agencies.

6101-07 INFORMATION SERVICES DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	117.64	.00	4.00	121.64	.00	4.00	121.64
Personal Services	4,615,475	62,242	-66,287	4,611,430	85,244	-67,573	4,633,146
Operating Expenses	9,515,167	637,449	913,169	11,065,785	432,283	488,169	10,435,619
Equipment	3,813,230	-2,050,020	1,153,575	2,916,785	-2,489,105	1,053,575	2,377,700
Capital Outlay	24,054	-24,054	0	0	-24,054	0	0
Debt Service	927,675	-3,787	44,000	967,888	58,820	44,000	1,030,495
Total Agency Costs	**18,895,601**	**$-1,378,170**	**$2,044,457**	**$19,561,888**	**$-1,936,812**	**$1,518,171**	**$18,476,960**
Federal Special Revenue Fund	0	0	929,575	929,575	0	629,575	629,575
Proprietary Fund	18,895,601	-1,378,170	1,114,882	18,632,313	-1,936,812	888,596	17,847,385
Total Funding Costs	**18,895,601**	**$-1,378,170**	**$2,044,457**	**$19,561,888**	**$-1,936,812**	**$1,518,171**	**$18,476,960**

Present Law Mandates

The Information Services Division generally operates under state mandates as specified in Title 2, Chapter 17, parts 3 and 5, MCA. Administration of the emergency "911" telephone program is mandated under Title 10, Chapter 4, parts 1-3, MCA.

Present Law Base

Personal Services - Increases are attributable to standard present law base adjustments for personal services.

Operating Expenses - The present law base is increased by $200,000 in FY96 to provide a biennial contingency appropriation for "overflow" contract systems programming needs. This adjustment is consistent with contingency appropriations provided in previous biennia. Other approximate significant increases include: $156,000 in FY96 and $209,000 in FY97 for communication charges; $100,000 per year in consultant costs; $90,000 per year in supplies; $61,000 in FY96 and $68,000 in FY97 for inflation and fixed cost items; $33,000 per year for equipment leases; and $17,000 per year for training. Approximate significant decreases include: $22,000 per year due to removal of one-time-only expenses associated with transfer of $1 million in budget authority from the Property and Supply Bureau; $18,000 in arbitrage rebate fees associated with payment of lease participation notes which will be fully repaid by the end of the 1995 biennium.

Equipment/Debt Service - The division expensed approximately $3.8 million in equipment in the FY94 base year rather than financing due to the availability of cash reserves. The division transferred approximately $1.6 million in budget authority from debt service into other expenditure categories, transferring approximately $1.2 million into the equipment category. As a result, the division's equipment budget request in the 1997 biennium is dramatically lower than the FY94 base year. The division has made the final payment of approximately $56,000 in FY94 on its lease participation certificates which provided financing for the state telephone system. Other debt service increased by approximately $50,000 in FY96 and by $115,000 in FY97.

In the executive planning process (EPP), the following items and approximate amounts were approved: $400,000 per year for upgrade to mainframe processor; $390,000 per year for equipment needs due to growth in local area networks; $290,000 per year for equipment needs due to growth in the state telephone system; $290,000 per year for upgrades to the state data network; $270,000 in FY96 and $226,000 in FY97 for upgrade of the mainframe computer data storage; and $80,000 per year for upgrade to computer tape drive equipment. The division's budget request includes an additional $965,000 in FY96 and $640,000 in FY97 for current debt service obligations and other miscellaneous equipment requests.

New Proposals

Personal Services Reduction - The division is reduced by 1.00 FTE and approximately $27,000 per year. The division is further reduced by approximately $200,000 per year in vacancy savings, equivalent to 4.3% of present law base personal services, consistent with proposed pay plan funding.

Capitol/DoT Complex Rewire - The executive budget recommends $424,000 per year to update existing voice and data wire plant throughout the capitol complex and the Department of Transportation complex in Helena. The existing communications wire plant in many of the capitol complex buildings is more than 25 years old and is inadequate to support modern communication needs.

SummitNet Data Network Expansion - The executive budget recommends 2.00 FTE and approximately $1.5 million in FY96 and $1.2 million in FY97 for a major expansion of the state's existing statewide telecommunications network, known as "SummitNet" (State & University of Montana Multiprotocol Network). The initiative will be a two-part expansion of the state telecommunications infrastructure to: 1) provide infrastructure upgrades and expansions in geographic coverage; and 2) provide technical support and network connectivity for Internet access. These upgrades and associated consolidations of the state's existing networks will provide the telecommunications capability for a number of automation projects currently underway in state government and will enable the state to continue to improve the effectiveness and efficiency of state operations by the application of information technology solutions. The central development of a state

telecommunications system for state agencies, the university system, and local governments is highly cost-effective compared to the costs associated with development of a number of separate telecommunications systems. Funding for this initiative is from ISD network charges and federal grant funds.

In developing the executive budget for this initiative, the department anticipated approval of an application for federal funds from the National Telecommunications and Information Administration (NTIA). Following closure of the executive budget system, but prior to publication of this document, the department has been informed that its grant application for federal fiscal year 1994 has not been approved (the NTIA received over $500 million in requests for $24 million in grant funds). The department intends to reapply for this grant for federal fiscal year 1995 if it determines that there is a reasonable prospect for federal approval. The administration recommends proceeding with the proposed SummitNet initiative if federal funds do not become available, but would finance the necessary equipment over its useful life, rather than expensing the equipment under a federal grant, thus reducing 1997 biennium costs. In order to provide for this contingency, the following bill language is proposed:

> "The department's appropriations in item [] include $1,510,603 in FY96 and $1,185,843 in FY97 for the SummitNet initiative. The department may transfer budget authority for this item between federal and proprietary fund types."

In addition, the administration proposes adjustments to agency budgets for ISD network rates, to be increased from $36 per device-month to $38 in FY96 and $39 in FY97. The university system, which is charged a negotiated percentage of program costs, also will require adjustment. The biennial increase attributable to this change in the network rate is approximately $250,000 general fund and $250,000 other funds. If the department is successful in obtaining a 1995 NTIA grant, network rates will be reduced in the 1997 biennium accordingly.

Public Safety Radio System Design - The executive budget recommends $200,000 in federal revenue authority to develop the technical system design for a shared radio network. Federal FCC pending rules, expected to be implemented by the year 2000, will cause dramatic changes in the management of radio frequencies, requiring the use of advanced technologies. Experience outside the state suggests that small-scale or "piece-meal" changes will be inordinately expensive without careful planning and subsequent coordination. Major radio networks are operated by the Departments of Justice, Transportation, State Lands, Fish, Wildlife & Parks, Corrections & Human Services, and Livestock. In addition, local governments operate over one hundred systems serving law enforcement, fire, ambulance, and public works needs. The department has received tentative approval from the Montana Department of Justice for use of federal highway traffic safety funds for this initiative.

Enterprise Software - There is 2.00 FTE and approximately $71,000 per year recommended for ISD support of two statewide licenses for database and local area network softwares. The department, in consultation with the Information Technology Advisory Council (ITAC) has purchased the licenses for these softwares for statewide use. Acquisition of these two softwares on an enterprise basis is cost-effective and promotes a uniform standard in two areas which are highly critical for integration of state information technology systems.

Interactive Video Multipoint - There is 1.00 FTE and approximately $69,000 recommended for continued expansion of the state video telecommunications system, upgrading the capacity of the current system and expanding geographic access.

Funding

Funding for the Information Services Division is primarily from charges to state agencies for computer processing, data network, state telephone, and systems programming support services. In order to better coordinate state communication functions, the division also receives significant amounts of "pass-through" funds paid on behalf of state agencies to communications vendors such as ATT and US West. Administration of the state emergency "911" telephone program is mostly funded by a percentage of the emergency telephone tax revenues. The projected biennial operating results for each of the division's four major service categories are summarized below:

PROJECTED FINANCIAL RESULTS OF ISD PROPRIETARY OPERATIONS
1997 Biennium

	FY96			FY97		
	Revenue	Expense	Profit(Loss)	Revenue	Expense	Profit(Loss)
Central Computer Ops						
Processing	7,352,568	6,907,589	444,979	7,449,093	6,935,723	513,370
Print	379,591	601,885	(222,294)	371,290	615,091	(243,801)
Data Entry	120,523	277,661	(157,138)	120,523	282,914	(162,391)
MicroFiche	121,491	127,960	(6,469)	121,491	130,516	(9,025)
Total	7,974,173	7,915,095	59,078	8,062,397	7,964,244	98,153
Systems Support	655,494	713,902	(58,408)	665,238	724,601	(59,363)
Telecommunications						
Data	4,118,949	4,020,629	98,320	4,118,949	4,039,980	78,969
Voice	4,852,031	4,533,026	319,005	4,802,266	4,549,473	252,793
Video	211,200	269,843	(58,643)	242,800	270,752	(27,952)
Interactive Voice	86,400	78,050	8,350	100,000	78,380	21,620
VoiceMail	93,694	104,438	(10,744)	98,378	104,991	(6,613)
ATT 1-800	608,000	599,565	8,435	640,000	600,135	39,865
Voice Passthru	1,458,281	1,458,260	21	1,459,081	1,459,144	(63)
Credit Cards	316,449	316,449	0	309,195	309,399	(204)
Telecomm Total	11,745,004	11,380,260	364,744	11,770,669	11,412,254	358,415
911 Administration	85,152	100,887	(15,735)	85,152	125,633	(40,481)
ISD Total	20,459,823	20,110,144	349,679	20,583,456	20,226,732	356,724

6101-08 GENERAL SERVICES PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	19.00	.00	.00	19.00	.00	.00	19.00
Personal Services	669,334	2,266	-33,961	637,639	5,325	-34,553	640,106
Operating Expenses	3,193,769	122,556	241,000	3,557,325	184,812	241,000	3,619,581
Equipment	5,624	876	0	6,500	876	0	6,500
Transfers	86,354	-27,553	0	58,801	27,553	0	58,801
Total Agency Costs	3,955,081	$98,145	$207,039	$4,260,265	$163,460	$206,447	$4,324,988
General Fund	349,707	-99,780	0	249,927	-89,726	0	259,981
Capital Projects Fund	58,304	497	0	58,801	497	0	58,801
Proprietary Fund	3,547,070	197,428	207,039	3,951,537	252,689	206,447	4,006,206
Total Funding Costs	3,955,081	$98,145	$207,039	$4,260,265	$163,460	$206,447	$4,324,988

Present Law Mandates
Administration of the General Services Program is mandated by 2-17-101 and 111, MCA.

Present Law Base
Personal Services - Minor increases are attributable to standard present law base adjustments for personal services.
Operating Expenses - The present law base for FY96 includes continuation of a $100,000 biennial contingency appropriation in the event that emergency maintenance is required. This contingency appropriation allows the division to commit its budget for scheduled maintenance activities without the necessity of holding back budget authority in the event of an emergency. This contingency appropriation was approved for the 1995 biennium and was unexpended in FY94 due to the fortunate circumstances of having no emergency maintenance to perform. Operating expenses also reflect a reduction of approximately $100,000 in FY96 and $90,000 in FY97 due to a reduction in general fund support of the program because the general fund is expensed as rent for transfer into the general services account (see discussion under funding).

A number of other major increases and decreases in various budget items result in net increases. In FY94, due to an unusually mild winter, expenditures for utilities were lower than is budgeted for a "normal" weather pattern. As a result, the division was able to use this budget authority in FY94 for more maintenance and related expenditures for architectural and engineering consulting. For the 1997 biennium, maintenance and consulting services are reduced to levels consistent with currently appropriated levels. The 1997 biennium budget for utilities remains relatively constant even with significant inflation assumptions due to energy conservation retrofits on capitol complex buildings. However, utility-related expenditures still increase over the relatively low FY94 expenditures due to transfers to the Department of Natural Resources to repay bonds issued for this purpose. The increase in DNRC transfers is offset by approximately $28,000 which was recorded as an operating transfer in FY94 but will be recorded as an operating expense in the 1997 biennium. The division projects major increases in the costs of contracted services for caretaker, janitorial, and security services. Other major increases include tax assessments, and city garbage and water services. The following summarizes all these changes:

	FY96	FY97
Contingency appropriation	100,000	0
Change in general fund rent	-100,000	-90,000
Maintenance	-187,000	-187,000
Consulting services	-60,000	-60,000
Utilities (with inflation)	-16,000	48,000
DNRC transfer	102,000	102,000
Contract services	144,000	238,000
Water/Garbage Service	70,000	70,000
Tax assessments	60,000	60,000
Misc Changes	10,000	4,000
Total	123,000	185,000

Transfers - Transfers to DNRC for energy conservation retrofits will be recorded as an operating expense in the 1997 biennium.

New Proposals
Personal Services Reduction - Personal services are reduced by approximately $34,000 each year in vacancy savings, equivalent to about 5.2% of present law base personal services.

Capitol Complex Major Maintenance - The executive budget proposes funding $241,000 per year for

major maintenance on the capitol complex from the general services proprietary account. The present law base reflects approximately $113,000 per year which is for minor maintenance needs, such as carpeting, painting, etc. The increase in general services maintenance is in lieu of Long-Range Building Program funding since recovery of maintenance costs through the rental rates can recover about 50% of costs from federal and state non-general fund sources.

Due to closure of budget tables prior to publication of the executive budget, the administration will propose to the legislature an additional $250,000 increase in major maintenance. The projected ending cash balance in the general services proprietary account will support this increase, on a continuing basis into the 1999 biennium, without an increase to the currently proposed rental rates. The administration also will propose that this additional $250,000 and the previously discussed increase of $241,000 per year be combined and be appropriated as a $732,000 biennial appropriation, in order to better manage major maintenance projects over the biennium. But for projects which are projected to exceed $50,000 and therefore require specific legislative approval, the department will require flexibility in determining which projects to fund. The following is a representative sample of likely projects the department will consider:

Reroof a portion of the Cogswell Building and replace worn out cooling towers	$120,000
Install new roof top units at the OPI Building	$130,000
Window replacement - Governor's executive residence	$80,000
Paint the interior of the Mitchell Building	$60,000
Participate in DNRC energy retrofit projects for new windows in old section of the Scott Hart Building and for new windows in the Walt Sullivan Building (window replacement projects do not typically qualify for the program without some direct cash participation by the agency)	$120,000
Build new parking lot west of the Scott Hart (requires legislative authority)	$73,000
New Windows - Old Livestock Building	$90,000
Repair limestone on the museum (This project would need to be coordinated with their request for a building addition.)	$200,000

The department will also attempt to use a small portion of these funds to conduct a comprehensive needs assessment of capitol complex maintenance needs and to develop a computer system for the management of capitol complex maintenance.

Funding

Funding for the general services division is primarily from rental charges (proprietary revenue) to state agencies which occupy office and warehouse space in state buildings, generally located on the capitol complex. The division also receives general fund, which although expensed as rent is essentially transferred as a revenue source into the general services proprietary account. The general fund support is intended to fund costs allocable to "common areas" which are not charged to an agency. The "common areas" primarily include: legislative office space; the Governor's mansion, public

display areas in the Historical Society Museum, and certain office space in the museum building. Minor amounts of capitol land grant funds are also transferred into the general services proprietary account, the amount of which is based on appropriations in previous biennia and which have not changed for several biennia.

The present law base funding for general fund is reduced by about $100,000 in FY96 and $90,000 in FY97. The square footage for the "common" areas accounts for roughly 20% of capitol complex office space. However, the appropriation had been set at 12% of program costs in previous biennia. The general services division estimates that actual direct costs associated with these areas is approximately 6.5% of program expenses. For purposes of establishing the rental rates for the 1997 biennium, the general fund level has been set at 6.5% of funding appropriated from the proprietary account, less a $100,000 contingency appropriation. In order to establish this level of general fund in subsequent biennia present law base, the following bill language is proposed:

> "The general fund appropriated for the general services program is intended for transfer into the general services proprietary account. The present law base in subsequent biennia shall include general fund at 6.5% of program operating expenses."

6101-13 MAIL & DISTRIBUTION BUREAU

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	12.23	1.60	.00	13.83	1.60	.00	13.83
Personal Services	287,152	23,394	0	310,546	24,661	0	311,813
Operating Expenses	2,225,321	450,369	0	2,675,690	509,316	0	2,734,637
Equipment	21,632	477	0	22,109	13,868	0	35,500
Debt Service	36,866	45,783	0	82,649	45,783	0	82,649
Total Agency Costs	**2,570,971**	**$520,023**	**$0**	**$3,090,994**	**$593,628**	**$0**	**$3,164,599**
Proprietary Fund	2,570,971	520,023	0	3,090,994	593,628	0	3,164,599
Total Funding Costs	**2,570,971**	**$520,023**	**$0**	**$3,090,994**	**$593,628**	**$0**	**$3,164,599**

Present Law Mandates

Administration of the central mail program is not specifically mandated by state law.

Present Law Base

Personal Services - Due to participation of the Central Mail Program in a performance-based budgeting (PBB) pilot project, adjustments were made to the present law base in order for program performance to be maintained at base year performance levels. Due to greater mail volumes processed by the Central Mail Program, the program received a budget amendment for 0.50 FTE midway through FY94. Annualizing this level of effort, 1.00 FTE is added to the present law base. An additional 0.60 FTE is added in lieu of projected overtime expenditures, resulting in estimated savings of $3,600 per year.

Operating Expenses - Consistent with the PBB base concept, $216,000 is added to postage costs due to greater mail volumes, as was appropriated by budget amendment in the FY94 base year. Other approximate significant increases include: $170,000 in FY96 and $228,000 in FY97 for inflation associated with US postal rates; $30,000 per year for maintenance of postal processing equipment; $27,000 per year in fixed cost items and inflation other than postage.

Equipment - FY97 increase is due to purchase of a "step" van. Program currently uses motor pool

passenger vans which are not designed to carry cargo weights currently being transported and create a safety hazard for employees loading and unloading mail.
Debt Service - Increases are due to installment purchase of advanced mail processing equipment at mid-year in FY94.

Funding
Funding for the Central Mail Program is from proprietary charges to state agencies for processing US mail and other parcel mail and intrastate messenger service (known as "deadhead" mail).

The Central Mail Program is one of three state programs participating in a performance-based budgeting (PBB) pilot project (refer to the discussion of the PBB pilot contained in the front section of the executive budget document). The executive budget proposes the following bill language:

> "The appropriation provided for the central mail program is contingent upon funds being used to attempt to achieve program performance targets as outlined in the executive budget for the 1997 biennium. The department shall provide semiannual reports to the office of budget and program planning and the office of the legislative fiscal analyst on progress towards achievement of these performance targets with explanations for any significant variances."

The proposed program goals and associated performance targets are as follows:

Goal #1) To maximize the cost effectiveness of central mail processing for customer state agencies.

- Performance Measure/Target: Maintain aggregate overhead to postage ratio of 10.2% while maintaining deadhead rates and increasing the cash balance of the program by $10,000 per year.

	FY95	FY96	FY97
Cash Balance	$167,500	$177,500	$187,500
Overhead/Postage Ratio	10.2%	10.2%	10.2%
Deadhead Rates	$0.21/piece	$0.21/piece	$0.21/piece

Explanation: The program staff are committed to reducing the overhead rate of central mail operations but at this time need to increase the cash balance to reduce program dependence on inter-entity loans to manage cash flow. The program expends approximately $250,000 per month in postage and payroll, billing in arrears. Therefore, the program will need a cash balance of $250,000 in order to eliminate dependence on general fund loans. Building cash by $10,000 per year while maintaining overhead and deadhead rates will require increasing volumes by over 250,000 pieces of outgoing mail per year without increasing in costs.

- Performance Measure/Target: Increase the ratio of automated to nonautomated mail by 10% per year over the biennium.

	FY95	FY96	FY97
Auto/Nonauto Mail	To Be Determined	+10% over FY95	+10% over FY96

Explanation: The ratio of automated mail to nonautomated mail is a good measure of agency efforts to use proper addressing and mailing techniques which allow the state to maximize the return from automation discounts. This measure will correct for increases in mail volumes

that might otherwise make it seem that the agency was more successful in automating the mail than is the case.

- Performance Measure/Target: Increase total discounts generated in the value-added refund program by 5% per year over the biennium.

	FY95	FY96	FY97
Total Discounts	To Be Determined	+5% over FY95	+5% over FY96

Explanation: The value-added refund program is a direct postage cost refund of the US Postal Service (USPS) which compensates mailers for work sharing with the post office. These refund amounts are used to offset fixed program costs and to reduce costs to agencies.

Goal #2) **To consistently achieve a high degree of customer satisfaction with the timeliness and quality of mail processing service.**

- Performance Measure/Target: Percent of quarterly mail test samples meeting the following delivery standards: Incoming mail delivered same day received from USPS; deadhead mail delivered within 24 hours of pickup by central mail; outgoing mail delivered to USPS by the same day it is delivered to central mail, unless a hold is requested by the customer.

	FY95	FY96	FY97
% incoming mail meeting applicable standard	To Be Determined	To Be Determined	To Be Determined
% deadhead mail meeting applicable standard	To Be Determined	To Be Determined	To Be Determined
% outgoing mail meeting applicable standard	To Be Determined	To Be Determined	To Be Determined

Explanation: Agencies are concerned that they receive all their mail every day, that their deadhead communications be delivered in a timely fashion, and that their outgoing mail be processed for delivery to the USPS in a timely fashion. This measure would involve mailing unmarked test pieces to agencies with a request that they return the piece dated the day it was received. Timeliness standards for outgoing mail will be self-reported.

- Performance Measure/Target: Ratings of customer satisfaction based on a survey instrument administered twice each year of the biennium. The program will design, in consultation with major customers, a survey instrument and will determine how results will be scored and what rating constitutes acceptable service.

	FY95	FY96	FY97
Average rating by survey participants	TBD	TBD	TBD
# acceptable ratings	TBD	TBD	TBD
# unacceptable ratings	0	0	0

6101-23 STATE PERSONNEL DIVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	41.22	.00	.50	41.72	.00	.50	41.72
Personal Services	1,288,969	79,537	1,958,428	3,326,934	85,905	1,958,074	3,332,948
Operating Expenses	701,811	186,729	219,584	1,108,124	109,530	71,788	883,129
Equipment	4,500	8,834	8,250	21,584	6,124	0	10,624
Debt Service	715	-715	0	0	-715	0	0
Total Agency Costs	**1,995,995**	**$274,385**	**$2,186,262**	**$4,456,642**	**$200,844**	**$2,029,862**	**$4,226,701**
General Fund	1,012,451	-102,829	535,144	1,444,766	-100,171	526,467	1,438,747
State Special Revenue Fund	302,453	-302,453	40,000	40,000	-302,453	40,000	40,000
Proprietary Fund	681,091	679,667	161,118	1,521,876	603,468	13,395	1,297,954
Expendable Trust Fund	0	0	1,450,000	1,450,000	0	1,450,000	1,450,000
Total Funding Costs	**1,995,995**	**$274,385**	**$2,186,262**	**$4,456,642**	**$200,844**	**$2,029,862**	**$4,226,701**

Present Law Mandates

Functions administered by the Classification and Labor Relations Bureaus are mandated or otherwise governed by the following state statututes: 2-18-2, MCA; 2-18-102, MCA; 2-18-301 through 303, MCA; 2-18-604, MCA; 2-18-1011 through 1013, MCA; 39-29-112, MCA; 39-30-106, MCA; 39-31-101 through 409, MCA. The payroll unit is mandated and/or governed by the provisions of 2-18-401 through 412, MCA. Functions administered by the Employee Benefits Bureau are mandated or otherwise governed by the following state statutes: 2-18-808 through 814, MCA; 2-18-1101 through 1106, MCA; 19-2-101 through 206, MCA; and 33-2-712, MCA. Operation of the Professional Development Center is mandated by 1-18-102, MCA.

Present Law Base

Personal Services - Increases are attributable to standard present law base adjustments for personal services.

Operating Expenses - Combined inflation and fixed cost items increase present law base by approximately $30,000 in FY96 but decrease by $30,000 in FY97; this imbalance is due to the biennial appropriation for audit fees, which reflects budget authority in FY96 only although actual expenditures tend to be spread evenly across both fiscal years of the biennium. Other approximate significant increases include: $47,000 per year for computer processing due to development of a new employee benefits system in FY94; $46,000 in FY96 and $29,000 in FY97 for consultant services, primarily due to development of the new employee benefits system in FY94 and the need to rebid the deferred compensation contract; $26,000 per year for systems support for the state payroll system ($10,000-mostly due to higher ISD fees) and employee benefits ($16,000-due to development of new system); and $10,000 per year for postage for the employee benefits program and professional development center.

New Proposals

Personal Services Reduction - The Personnel Division is reduced by 0.50 FTE and approximately $9,500 general fund. The division is further reduced by approximately $54,000 per year in vacancy savings, affecting all funding sources of the division and equivalent to about 4% of present law base personal services.

Personal Services Contingency Fund - The executive budget recommends, similar to appropriations

provided in the current biennium, a personal services contingency fund for small state agencies which are unable to absorb the 5% vacancy savings reductions proposed in the executive budget to provide funding in the pay plan. The funding level is consistent with current appropriations at $550,000 general fund and $1,450,000 other funds per year. The personal services contingency fund is attached to the Personnel Division appropriations for administrative purposes only. The following bill language is proposed, consistent with similar language in the current biennium, allowing transfer of contingency funds between fiscal years of the biennium and, for other funds only, transfers among nongeneral fund categories:

> "Item [] contains biennial appropriations that the department and the office of budget and program planning may allocate to executive branch agencies (except the Montana university system), subject to the process described below, for personal services if the agencies did not experience normal turnover in an amount necessary to provide full funding for personal services. In allocating the personal services contingency funds, amounts may be adjusted among fund types, excluding general fund, which may not be adjusted. Any agency requesting an allocation of these funds shall document in its request to the budget director that projected personal services expenditures will exceed program appropriations for personal services and the reasons for the deficit, and shall certify that no other budget authority in the agency is available. The office of budget and program planning shall provide an annual report to the legislative finance committee documenting all allocations of these personal services contingency funds."

Hearing Devices and Interpretive Services - In response to recommendations by the Governor's Advisory Council on Disabilities and in compliance with the federal Americans with Disabilities Act, the budget proposes $58,250 in FY96 and $50,000 in FY97 for creation of a state pool for hearing assistive devices and for central management of a state contract to the provide interpretive services for the hearing impaired at public meetings when requested by the public. The pool of hearing devices will be purchased by the general fund. In addition, the general fund will provide a core funding level of $10,000 per year for interpretive services. An additional $40,000 per year in state special revenue authority is provided for pass-through funds provided by large state agencies which require interpretive services for their public meetings. At this time, the department has no information regarding the extent of public demand for interpretive services. Once a core level of services is developed, the department will be able to more accurately assess public demand and can then reevaluate what levels of budgetary resources are required.

PPP System Modification - A $150,000 biennial, restricted appropriation for the 1997 biennium only is recommended for major modifications to the Personnel, Payroll, and Position Control (PPP) system. The PPP system is one of the state's "legacy" systems, developed over 15 years ago. Twenty years of advances in information technologies make it imperative that critical systems such as PPP be updated to current state standards. The PPP system does not meet current agency needs, is relatively paper and manual intensive, and is not integrated with the state accounting system. A major enhancement of the PPP system, with integration to SBAS, would provide a more useful personnel management system for state agencies, improve the availability and accuracy of data required for budgeting, cost allocation analysis, and reporting, improve audit trails, and improve the efficiency of agency payroll functions. Funding for this initiative is from proprietary payroll fees.

Flexible Spending Account Self-Administration - There is recommended 1.00 FTE and a restricted appropriation for approximately $43,000 per year for state self-administration of flexible spending accounts (FSA), contingent upon the department determining that self-administration is more cost effective than contract administration. In negotiating the contracts for FSA administration, the department projects 1997 biennium costs of about $140,000. At a minimum, having the option of

self-administration will better position the department in these negotiations. The costs of FSA contract administration are currently paid under a statutory appropriation for payment of employee benefits and associated contract administration. Therefore, the department requires budget authority in the general appropriations act in order to self-administer FSAs, but would then reduce expenditures under the statutory appropriation for contract FSA administration. The costs of FSA administration are funded by fees charged to participating state employees. Savings attributable to self-administration would reduce this cost for employees. The following bill language is recommended:

> "The department's appropriations in item [] includes $41,284 in FY96 and $43,541 in FY97 from proprietary revenue authority for self-administration of flexible spending accounts, contingent upon the department's determination that self-administration is cost effective."

Funding

Funding for the Classification and Labor Relations Bureaus is from general fund. The Employee Benefits Bureau is funded from the investment earnings of the state employees benefits fund. The Employee Benefits Bureau also receives a minor general fund appropriation for administration of the employee incentive program and sick leave administration. The professional development center is funded by proprietary fees charged to state agencies for training services.

Present law base funding for the payroll unit has been changed from general fund and state special revenue to proprietary revenue authority. In the current and previous biennia, payroll fees only were charged to nongeneral fund programs. The executive budget proposes to operate the payroll unit on a proprietary basis, charging similar fees to all programs regardless of funding source. There is no net general fund impact for this accounting change since, while general fund programs will require budget authority to pay projected payroll fees, the general fund appropriated to the payroll unit can be eliminated.

The rationale for this change in funding is to maximize cost recovery from federal sources. A review of FY93 SBAS records indicates that, even though current payroll fees are intended to be paid from nongeneral fund sources only, some agencies are using general fund appropriations for this purpose. In fact, many federal grants require state matching funds for any and all administrative costs, including payroll fees. In addition, use of full accrual accounting will allow recovery of nonbudgeted liabilities, such as accrued leave time and depreciation, from federal sources.

The executive budget recognizes that this funding change is a policy issue to be approved by the legislature. However, the mechanics of the budget development process require that fixed costs such as payroll fees be incorporated in the present law base for all affected agency budgets. If the executive budget reflected the current general fund/state special revenue funding for the payroll unit, the present law base general fund levels would be overstated by about $400,000 for the biennium.

6101-24 RISK MANAGEMENT & TORT DEFENSE

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	12.43	.00	-.43	12.00	.00	-.43	12.00
Personal Services	405,671	44,970	-22,470	428,171	47,205	-22,658	430,218
Operating Expenses	2,453,615	198,852	0	2,652,467	317,770	0	2,771,385
Equipment	16,322	-16,322	0	0	-16,322	0	0
Transfers	22,971	-22,971	0	0	-22,971	0	0
Total Agency Costs	**2,898,579**	**$204,529**	**$-22,470**	**$3,080,638**	**$325,682**	**$-22,658**	**$3,201,603**
Proprietary Fund	2,898,579	204,529	-22,470	3,080,638	325,682	-22,658	3,201,603
Total Funding Costs	**2,898,579**	**$204,529**	**$-22,470**	**$3,080,638**	**$325,682**	**$-22,658**	**$3,201,603**

Present Law Mandates

The Risk Management and Tort Claims Defense Program operates under statutory mandates pursuant to Title 2, Chapter 9, parts 1 through 3, MCA, and 2-9-202, MCA.

Present Law Base

Personal Services - Increases are attributable to standard present law base adjustments to personal services.

Operating Expenses - The predominant increase in operating expenses is approximately $121,000 in FY96 and $265,000 in FY97 for purchase of commercial insurance policies. The division has experienced major increases in aviation and property lines of insurance. Due to continued volatility in these markets, the division requests budget authority on the assumption that aviation insurance will increase 25% per year while property insurance will increase 15% per year. All other insurance lines are assumed to increase 5% per year. The division also requests $61,000 per year to restore its budget for contract legal services to the appropriated level of $1.5 million per year. The division's need for contract legal services is highly volatile and unpredictable, dependent on the incidence, complexity, and amount of claims arising against the state. Other significant increases include $8,000 per year for non-DoA rent due to relocation of the division to the Teachers' Retirement Building, and $11,000 in FY96 for projected increases in the cost of actuarial services. The executive budget reflects a decrease of $9,000 in FY97 for consultant services. In previous biennia, this decrease in odd-numbered years was typical due to the necessity of performing actuarial valuations only once in the biennium. However, the division has recently been informed of a requirement to perform actuarial valuations every year. The executive budget inadvertently reduced the agency's budget request in FY97 by $20,000 and will propose to the appropriations subcommittee restoration of this amount, resulting in a net increase over FY94 actuals of $11,000 in FY97.

New Proposals

Personal Services Reduction - The division is reduced by 0.43 FTE and approximately $16,000 per year. The division is further reduced by approximately $6,500 per year in vacancy savings, equivalent to about 1.4% of present law base personal services, in accordance with proposed pay plan funding.

Funding

Funding for the Risk Management Division is from premiums collected by the division from state agencies for state self-insurance for general and vehicle liability and pass-through premiums for commercial insurance policies.

6101-37 STATE TAX APPEAL BOARD

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	10.50	.00	.00	10.50	.00	.00	10.50
Personal Services	321,567	16,334	-7,212	330,689	17,416	-7,175	331,808
Operating Expenses	60,356	-1,716	0	58,640	-596	0	59,760
Equipment	1,460	-1,460	0	0	-1,460	0	0
Local Assistance	7,466	0	0	7,466	0	0	7,466
Total Agency Costs	**390,849**	**$13,158**	**$-7,212**	**$396,795**	**$15,360**	**$-7,175**	**$399,034**
General Fund	390,849	13,158	-7,212	396,795	15,360	-7,175	399,034
Total Funding Costs	**390,849**	**$13,158**	**$-7,212**	**$396,795**	**$15,360**	**$-7,175**	**$399,034**

Present Law Mandates

The State Tax Appeals and County Tax Appeals Boards are mandated by Article VIII, Section 7 of the Montana Constitution and by 15-2-101, MCA.

Present Law Base

Personal Services - Per diem expenditures for county tax appeal boards are reduced by $18,000 per year to the previously appropriated level of $50,000 per year. However, other personal services for county tax appeal boards were underexpended by a roughly comparable amount. Therefore, total personal services increase by amounts consistent with standard present law base adjustments for personal services.

Operating Expenses - Consultant services are reduced by approximately $9,200 per year due to use of a fee-for-service contract for legal services in FY94. The STAB will use legal services on a retainer basis in the 1997 biennium, resulting in a reduction in legal service costs. Inflation, fixed cost, and miscellaneous items increase by approximately $7,500 in FY96 and by $8,500 in FY97.

New Proposals

Personal Services Reduction - The State Tax Appeals Board is reduced by approximately $7,200 per year in vacancy savings, equivalent to about 2.1% of present law base personal services.

MISSION STATEMENT: The State Fund will provide to all employers an available market for workers' compensation and occupational disease coverage. Inherent in this is the responsibility for achievement of extraordinary service to our customers and superior execution in everything we do. Service will be provided at the lowest possible cost while paying the statutorily established benefits. We will achieve financial solvency and stability for our stakeholders and develop a partnership in a true spirit of cooperation. Success depends upon a customer-focused, team-orientated, high performance culture that is rewarding and challenging for our employees. We will become an industry leader in developing and leveraging our organization's services and functions.

State Fund Budget Overview

HB13 of the 53rd Legislative Session, effective July 1, 1993, authorizes the State Fund Board of Directors to establish the State Fund's annual budget, which is not to exceed 15% of the preceding year's earned annual premium. The Board must submit its budget and annual financial report to the governor and legislature each year. The budget tables and accompanying narrative for the State Fund contained in the executive budget is for informational purposes only and is based on a two-year staff projection of State Fund operations. The State Fund Board has not approved these expenditure levels for FY96 and FY97.

The State Fund operates two programs, one for all claims incurred on or after January 1, 1990 (the State Compensation Insurance Fund, commonly referred to as the "new fund"), and one for all claims incurred prior to January 1, 1990 (known as the "old fund"). The new fund is primarily funded by workers' compensation premiums and investment earnings on new fund assets. The old fund is primarily funded by the old fund liability tax (OFLT), enacted as HB504 in the 1993 legislative session and administered by the Department of Revenue. The OFLT rates are established at 0.50% of payroll for employers, 0.20% of salary and wages for employees, and 0.20% on the net incomes of self-employed individuals.

The budget tables shown below reflect projected operating and claims expenditures only and do not include projected budget authority for various interentity fund transfers (simply moving funds from one account to another as prescribed by statute). Estimates for claims payments are periodically updated by the State Fund's independent actuary and are subject to change.

NEW FUND (Program 01)

	Base FY 1994	Estimated Adjustments	Total FY 1996	Estimated Adjustments	Total FY 1997
Full Time Equivalent Employees	249.75	23.75	273.50	20.75	270.50
Personal Services	6,830,346	1,930,561	8,760,907	2,046,725	8,877,071
Operating Expenses	4,606,487	1,994,224	6,600,711	2,384,477	6,990,964
Equipment	1,049,470	(107,820)	941,650	266,230	1,315,700
Capital Outlay	81,421	(81,421)	0	(81,421)	0
Benefits	104,162,078	(15,803,824)	88,358,254	(8,954,945)	95,207,133
Transfers	3,653,057	(422,273)	3,230,784	(747,366)	2,905,691
Debt Services	321,549	(321,549)	0	(321,549)	0
Total Program Costs	120,704,408	(12,812,102)	107,892,306	(5,407,849)	115,296,559
State Comp. Ins. Fund (06)	89,102,523	18,789,783	107,892,306	26,194,036	115,296,559
"Old Fund" (06)	31,601,885	(31,601,885)	0	(31,601,885)	0
Total Funding	120,704,408	(12,812,102)	107,892,306	(5,407,849)	115,296,559

Explanation of Changes

Prior to FY95, the State Fund accounted for both the new and old funds in a single program. Therefore, the FY94 base shown below for the new fund reflects expenditures for both programs. In FY96 and FY97, administrative costs for the new fund include approximately $2.1 million per year allocable to the old fund.

In FY94, State Fund administrative expenditures were 7.9% of the preceeding year's earned annual premium revenue. For FY96, projected administrative expenditures are 10.4% of estimated FY95 earned premium. The increase in the ratio of administrative cost to earned premium is attributable to major initiatives to modernize State Fund operations in order to better control loss expenditures. For FY97, projected administrative expenditures are 12.0% of estimated FY96 earned premium. The increase over the FY96 ratio is due to a projected decrease in earned annual premium in FY96, due to the development of greater competition in the state's workers' compensation insurance market.

Personal services increase approximately $1.9 million over FY94, primarily due to additional FTE and standard adjustments for factors such as FY94 vacancy savings, changes in classification, annualization of changes in salary levels, etc. Increases in FTE are attributable to the following initiatives:

- 19.00 FTE for the development and implementation of information systems and innovative processes necessary to improve policyholder and claimant services and to assist in medical cost containment are the primary drivers behind the FTE increases. The development of these systems results in a decrease of 3.00 FTE in FY97 from FY96 levels due to the elimination of labor-intensive paper file systems.

- 4.00 FTE for creation of a human resources system to ensure hiring of quality applicants and retention of experienced staff, essential in enabling the State Fund to achieve its goals as outlined in the Strategic Business Plan.

- 0.75 FTE as the net change resulting from a major restructuring of several functions within State Fund operations.

Significant changes in expenditures for operating expenses and equipment include: $1 million in FY96 and $2 million in FY97 to develop and implement a policy services and imaging system for the underwriting department; $858,000 in FY96 to complete implementation of the medical information system: $130,000 in FY96 for completion of conversion of claim files' paper documents to image media.

Benefit expenditures in FY94 are for both the old fund and the new fund. Old fund claims expenditures were approximately $28.5 million in FY 1994. The FY96 and FY97 claims projections reflect the new fund only. New fund payments to claimants and medical providers increase from FY94 actual by approximately $15 million in FY96 and by $3.4 million from FY96 to FY97. The FY96 and FY97 projected new fund benefit payments were estimated by State Fund management based upon a surplus model provided by the State Fund's independent actuary.

There will be a decrease in building payment transfers in FY96 and FY97 as the Series 1983A Refunding Bonds, issued to finance construction of the Peg Condon Building, will be paid off in August 1995. The assessments to the State Fund for its share of the Department of Labor and Industry, Worker's Compensation Court, rehabilitation and subsequent injury assessments are projected to increase by approximately $952,000 from FY94 to FY96 and decrease by $32,000 from FY96 to FY97.

OLD FUND (Program 02)

	Base FY 1994	Estimated Adjustments	Total FY 1996	Estimated Adjustments	Total FY 1997
Full Time Equivalent Employees	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	176,300	176,300	141,100	141,100
Benefits	0	25,500,000	25,500,000	25,500,000	25,500,000
Transfers	0	2,823,700	2,823,700	2,858,900	2,858,900
Debt Services	0	12,685,000	12,685,000	12,685,000	12,685,000
Total Program Costs	0	41,185,000	41,185,000	41,185,000	41,185,000
Bond Repayment Account (02)	0	12,685,000	12,685,000	12,685,000	12,685,000
"Old Fund" (06)	0	28,500,000	28,500,000	28,500,000	28,500,000
Total Funding	0	41,185,000	41,185,000	41,185,000	41,185,000

Explanation of Changes

In FY94, expenditures for the old fund were combined with the new fund (program 01) and are therefore not reflected in the FY94 base expenditures in the above table. No FTE are specifically assigned to the old fund. Statute limits the administrative expenditures of the old fund to $3 million. The costs of administering the old fund are allocated to a variety of state fund functions and are not projected to exceed the statutory $3 million limit. Administrative costs are represented in operating expenses and transfers.

The above table reflects OBPP's working estimate of old fund payments to claimants and medical providers, using State Fund management estimates for FY95 (the State Fund's actuarial model projects old fund claims of approximately $30.8 million in FY96 and $27.3 million in FY97). Based on the working estimates for the 1997 biennium, old fund benefits are projected to decrease by approximately $3 million per year from FY94. Debt service payments include approximately $11.3 million per year for principal and interest on the 1991 series payroll tax bonds and an estimated

$1.365 per year for interest on the 1993 variable note issue.

MISSION STATEMENT: To efficiently and equitably administer eight state and local retirement systems in a manner which allows each system to operate on a financially sound basis and provide the broadest retirement coverage to public employee members and their beneficiaries in the event of death, disability or retirement of the members as prescribed by the legislature.

6104-35 PUBLIC EMPLOYEES RETIREMENT

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	22.00	-1.00	-1.50	19.50	-1.00	-1.50	19.50
Personal Services	593,760	51,971	-50,765	594,966	54,380	-50,944	597,196
Operating Expenses	510,982	198,675	15,200	724,857	55,631	10,100	576,713
Equipment	8,246	10,130	2,971	21,347	-6,346	0	1,900
Total Agency Costs	**1,112,988**	**$260,776**	**$-32,594**	**$1,341,170**	**$103,665**	**$-40,844**	**$1,175,809**
Non-expendable Trust Fund	1,112,988	260,776	-32,594	1,341,170	103,665	-40,844	1,175,809
Total Funding Costs	**1,112,988**	**$260,776**	**$-32,594**	**$1,341,170**	**$103,665**	**$-40,844**	**$1,175,809**

Present Law Mandates

Administration of the eight public retirement systems governed by the Public Employees Retirement Board are mandated by Title 19, Chapters 1-17, MCA.

Present Law Base

Personal Services - The present law base is reduced by 1.00 FTE which was appropriated in FY94 for workload associated with the early retirement (HB517). However, the costs of this 1.00 FTE is not reflected in FY94 adjusted base expenditures. Per diem reimbursements for board members is increased approximately $7,000 per year due to payment for "study days", changes in board membership, and changes in reimbursements for elected officials. Remaining increases are attributable to standard present law base adjustments for personal services.

Operating Expenses - Present law base adjustments increase operating expenses by 40% in FY96 and 10% in FY97. Approximate significant increases include: $69,000 in FY96 and $8,000 in FY97 for DoA systems support due to federal requirements and anticipated changes in state law; $37,000 per year for legal fees based on internal DoA legal cost allocations and estimated contested case hearings; $25,000 per year for rent due to setting rent at a fair market value (the building is owned by PERS--rent is "paid" to the PERS, the costs of which are then borne proportionately by all retirement systems administered by the division); $15,000 in FY96 and $11,000 in FY97 for travel; $8,000 per year for medical services; $13,000 in FY96 for updating employer handbooks. Consulting services decrease $9,000 in FY96 and $24,000 in FY97 due to completion of an experience study in FY94 (conducted once every ten years); the reduction in FY97 is due to being the "off-year" for actuarial valuation.

New Proposals

Personal Services Reduction - The division is reduced by 1.50 FTE and approximately $51,000 per year. The personal services reduction of the Public Employees Retirement Division is combined with the Teachers' Retirement Division and other Department of Administration divisions for purposes of the executive budget personal services reduction target for the 1997 biennium pay plan.

Electronic Benefit Transfer (EBT) Statements - The executive budget recommends $15,200 in FY96 and $10,100 for postage and printing costs associated with providing retirees with quarterly statements for retirement benefits which are electronically deposited to retiree's bank accounts. EBT saves the state postage and the cost of paper warrants.

Lap Top Personal Computer - There is $2,971 recommended in FY96 for purchase of a lap-top computer. Use of a lap-top with on-line access to the division's central databases will enable benefit counselors to provide membership services in retirement seminars throughout the state.

Funding

Funding for the administrative costs of the Public Employees Retirement Division is proportionately from the investment earnings of each of the eight retirement systems administered by the division.

MISSION STATEMENT: To maintain a financially sound system that will provide the broadest and fairest possible range of disability, death and retirement benefits to teachers and other eligible members of the State of Montana as prescribed by state statutes.

6105-01 TEACHERS RETIREMENT PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	11.50	.00	-.50	11.00	.00	-.50	11.00
Personal Services	319,476	18,877	-16,763	321,590	20,836	-16,887	323,425
Operating Expenses	249,740	76,916	0	326,656	60,175	0	309,915
Equipment	18,748	-12,348	0	6,400	-13,668	0	5,080
Debt Service	61,105	369	0	61,474	369	0	61,474
Total Agency Costs	**649,069**	**$83,814**	**$-16,763**	**$716,120**	**$67,712**	**$-16,887**	**$699,894**
Non-expendable Trust Fund	649,069	83,814	-16,763	716,120	67,712	-16,887	699,894
Total Funding Costs	**649,069**	**$83,814**	**$-16,763**	**$716,120**	**$67,712**	**$-16,887**	**$699,894**

Present Law Mandates

The Teachers' Retirement System is mandated by Title 19, Chapter 20, MCA, and is also governed by various Internal Revenue Service codes.

Present Law Base

Personal Services - Increases are attributable to standard present law base adjustments for personal services.

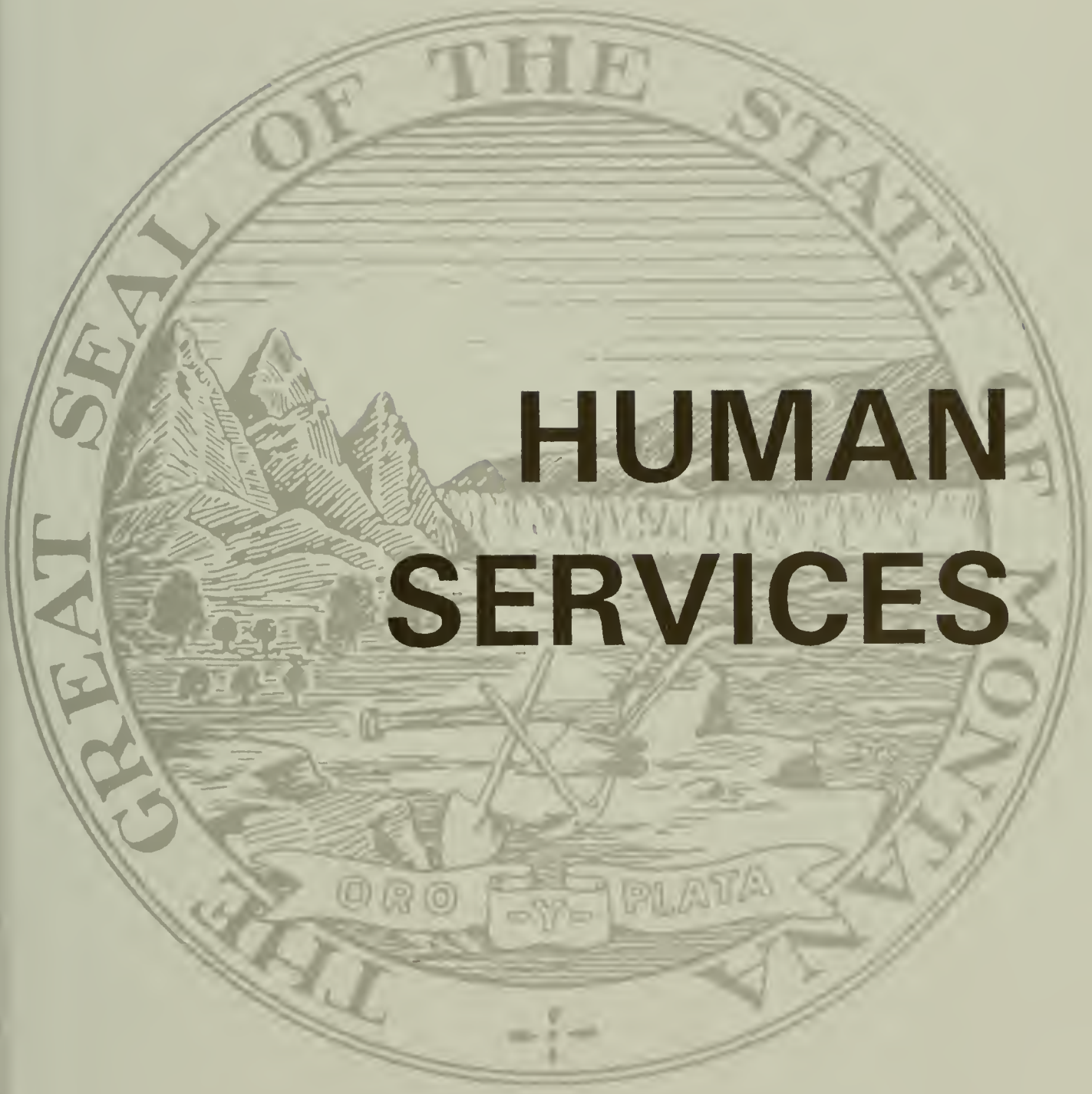
Operating Expenses - Approximate significant increases include: $44,000 per year for non-DoA systems support due to development of a new system in FY94 (the total budget request in this item is $46,000, less than the $90,000 originally appropriated by the 1993 legislature); $9,000 in FY96 for biennial printing of member and employer handbooks; $6,000 per year for legal fees; $5,000 per year for DoA systems support. Other increases are minor or are offset by decreases in the other fiscal year of the biennium. Approximate significant decreases include: $18,000 per year in warrant writing costs due to an inadvertent overallocation of state auditor fees in FY94.

New Proposals

Personal Services Reduction - The division is reduced by 0.50 FTE and approximately $17,000 per year. The personal services reduction of the Teachers' Retirement Division is combined with the Public Employees Retirement Division and other Department of Administration divisions for purposes of the executive budget personal services reduction target.

Funding

Funding for the division is from investment earnings of the Teachers' Retirement System.



HUMAN SERVICES

Department of Health & Environmental Sciences

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	455.06	2.03	44.50	501.59	2.03	51.00	508.09
Personal Services	13,859,419	2,285,839	847,605	16,992,863	2,371,178	1,052,667	17,283,264
Operating Expenses	13,011,102	7,460,428	4,558,299	25,029,829	7,431,484	4,647,104	25,089,690
Equipment	394,900	366,692	240,692	1,002,284	196,619	134,828	726,347
Grants	12,894,242	2,168,729	0	15,062,971	3,262,040	0	16,156,282
Benefits and Claims	6,913,950	2,059,525	0	8,973,475	2,059,525	0	8,973,475
Total Agency Costs	**47,073,613**	**$14,341,213**	**$5,646,596**	**$67,061,422**	**$15,320,846**	**$5,834,599**	**$68,229,058**
General Fund	3,141,670	1,086,597	436,043	4,664,310	952,545	425,084	4,519,299
State Special Revenue Fund	9,422,729	5,156,514	1,018,483	15,597,726	5,428,686	1,203,306	16,054,721
Federal Special Revenue Fund	32,588,249	7,776,053	3,925,042	44,289,344	8,663,103	3,998,507	45,249,859
Proprietary Fund	1,920,965	322,049	267,028	2,510,042	276,512	207,702	2,405,179
Total Funding Costs	**47,073,613**	**$14,341,213**	**$5,646,596**	**$67,061,422**	**$15,320,846**	**$5,834,599**	**$68,229,058**
Director's Office	532,695	341,038	-23,019	850,714	339,672	-23,199	849,168
Central Services	2,838,616	692,984	322,849	3,854,449	565,041	263,916	3,667,573
Air Quality Division	2,289,795	1,109,291	778,792	4,177,878	1,119,325	1,030,083	4,439,203
Environmental Remediation Div	2,995,777	2,546,086	-60,681	5,481,182	2,271,260	-61,174	5,205,863
Water Quality Division	5,216,445	2,200,706	808,627	8,225,778	2,637,717	804,291	8,658,453
Health Services Division	2,619,060	1,080,587	1,231,174	4,930,821	924,189	1,212,844	4,756,093
Family/mch Bureau	22,546,831	3,180,374	850,093	26,577,298	4,293,108	774,820	27,614,759
Preventive Health Bureau	1,952,460	854,343	1,852,648	4,659,451	888,844	1,948,324	4,789,628
Health Facilities Division	2,142,787	603,637	-90,484	2,655,940	623,197	-91,039	2,674,945
Health Care Authority	0	511,753	89,158	600,911	437,015	89,192	526,207
Petro Tank Release Comp Board	971,673	404,531	-29,353	1,346,851	413,103	-29,538	1,355,238
Waste Management Division	2,967,474	815,883	-83,208	3,700,149	808,375	-83,921	3,691,928
Total Program Costs	**47,073,613**	**$14,341,213**	**$5,646,596**	**$67,061,422**	**$15,320,846**	**$5,834,599**	**$68,229,058**

MISSION STATEMENT: To protect, promote and enhance public health and environmental quality for the benefit of all Montana citizens.

5301-01 DIRECTOR'S OFFICE

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	10.00	.00	.00	10.00	.00	.00	10.00
Personal Services	415,710	48,012	-23,019	440,703	50,196	-23,199	442,707
Operating Expenses	114,133	284,878	0	399,011	285,728	0	399,861
Equipment	2,852	8,148	0	11,000	3,748	0	6,600
Total Agency Costs	**532,695**	**$341,038**	**$-23,019**	**$850,714**	**$339,672**	**$-23,199**	**$849,168**
General Fund	92,980	-69,697	0	23,283	-69,696	0	23,284
State Special Revenue Fund	20,469	279,531	0	300,000	279,531	0	300,000
Proprietary Fund	419,246	131,204	-23,019	527,431	129,837	-23,199	525,884
Total Funding Costs	**532,695**	**$341,038**	**$-23,019**	**$850,714**	**$339,672**	**$-23,199**	**$849,168**

Present Law Mandates

The director of the department is appointed by the Governor as provided in Article VI, section 6, Mont. Const. The board of health and environmental sciences is provided for in 2-15-2104, MCA, with its duties stipulated in 50-1-301, MCA. The requirements for environmental impact statements are provided in the Montana Environmental Policy Act, Title 75, Chapter 1, MCA.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $48,012 in FY96 and $50,196 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $284,878 in FY96 and $285,728 in FY97 mainly due to an increase in contracted services for environmental impact statements (EIS) and an increase in the indirect rate charged to the director's office. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $8,148 in FY96 and $3,748 in FY97. The department requests funds to replace three personal computers each year of the biennium, and a laser printer in FY96. The total for the equipment requests is $11,000 in FY96 and $6,600 in FY97.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by $23,019 in FY96 and $23,199 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Funding

This program is funded by three sources: general fund, environmental impact statement (EIS) fees, and department indirect fees.

5301-02 CENTRAL SERVICES

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	57.45	.05	4.00	61.50	.05	4.00	61.50
Personal Services	1,743,399	122,541	37,679	1,903,619	131,323	37,106	1,911,828
Operating Expenses	1,008,780	407,866	153,828	1,570,474	363,841	153,897	1,526,518
Equipment	86,437	162,577	131,342	380,356	69,877	72,913	229,227
Total Agency Costs	2,838,616	$692,984	$322,849	$3,854,449	$565,041	$263,916	$3,667,573
State Special Revenue Fund	1,333,344	360,692	32,802	1,726,838	276,919	33,015	1,643,278
Federal Special Revenue Fund	145,001	-1	0	145,000	-1	0	145,000
Proprietary Fund	1,360,271	332,293	290,047	1,982,611	288,123	230,901	1,879,295
Total Funding Costs	2,838,616	$692,984	$322,849	$3,854,449	$565,041	$263,916	$3,667,573

Present Law Mandates

The division provides general support for the department. It contains the Chemistry Laboratory provided for in 50-1-202, MCA, the Information Services Bureau, the Public Health Laboratory provided for in 50-1-202, MCA, and the Centralized Services Bureau.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $122,541 in FY96 and $131,323 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $407,866 in FY96 and $363,841 in FY97 mainly due to an increase in contracted services for automation of financial reports, an increase in contracted secretarial services for new billing procedures in the public health lab, contracted services for development and maintenance of established Information Services Bureau systems (in lieu of adding FTE), and an increase in the indirect rate charged to the division. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $162,577 in FY96 and $69,877 in FY97. The department requests funds to replace 10 personal computers each year (total cost of $34,000 each year of the biennium), two laser printers in FY96 ($10,000) and one in FY97 ($5,000), five file servers in FY96 (totalling $49,514) and four file servers in FY97 (totalling $75,514), software upgrades for networks ($30,000 each year of the biennium), SMARTLAB software upgrade in FY96 ($19,000), and ionchromatograph in FY96 ($42,000), a muffle furnace in FY96 ($4,500), gas chromatograph/mass spectrometer software and hardware upgrades in FY96 ($47,000), a laboratory freezer in FY96 ($1,200), three uninterruptible power supplies for network devices (totalling $3,300 each year of the biennium), and one replacement network tape backup drive each year of the biennium ($8,500 per year). The total for the equipment request is $249,014 in FY96 and $156,314 in FY97.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by $93,122 in FY96 and $94,155 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan in the 1997 biennium.

Information Services (DP) Staff - Since 1990, the number of users on the department local area

networks has more than tripled. To keep up with the demand for services, the department requests 1.00 FTE and associated costs to provide increased information services support. Additional funds will be provided in contracted services to assist with increased workload in lieu of adding more than the one new staff member. The total request is for $139,281 in FY96 and $132,581 in FY97, which will be funded entirely from the department indirect cost pool.

LAN Expansion and Upgrade - The department requests 2.00 FTE and associated costs for expansion of the department local area networks (LAN) and for upgrading the networks. Currently the department allows limited Remote Dial-up Access (Polson and Billings offices and for travelling employees only) to the LAN via modem, for electronic mail, database applications, and data transfers. The department proposes expanding RDA to other employees as a more efficient and cost effective application of technology. In particular, Air Quality Division employees could use it for polling and remote operation of air monitoring devices, and public health employees could use it for collection and delivery of data to county health offices. Also included in this proposal are funds to install LANs at the Billings and Polson regional offices, which currently work off of stand alone personal computers. Total costs for these projects are $197,690 in FY96 and $146,490 in FY97, funded entirely from the department indirect cost pool.

Dyed Fuel Program - The Montana Department of Transportation (DoT) proposes to operate a statewide program for testing dyed fuel. Fuel used for agricultural and off-road uses exclusively is not subject to state fuel tax. Based on current fuel samples, the DoT estimates that 40% of vehicles on the road are using non-taxed fuel. The DoT proposes to contract with the Chemistry Laboratory to perform the actual fuel tests. This request is for 1.00 FTE and operating expenses to implement the testing program in the Chemistry Lab. Total costs will be approximately $79,000 each year of the biennium, and will be paid by DoT.

Funding

The division is funded by three sources: state special revenue, federal special revenue, and department indirect fees. State special revenue includes laboratory fees. Federal special revenue includes Preventive Health block grant and Maternal and Child Health block grant.

5301-03 AIR QUALITY DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	50.53	3.00	12.00	65.53	3.00	16.50	70.03
Personal Services	1,437,698	537,203	344,042	2,318,943	546,057	483,813	2,467,568
Operating Expenses	586,918	458,299	400,437	1,445,654	448,404	507,055	1,542,377
Equipment	36,069	68,191	34,313	138,573	42,431	39,215	117,715
Grants	229,110	45,598	0	274,708	82,433	0	311,543
Total Agency Costs	2,289,795	$1,109,291	$778,792	$4,177,878	$1,119,325	$1,030,083	$4,439,203
General Fund	233,015	165,388	-4,130	394,273	163,400	-4,738	391,677
State Special Revenue Fund	954,529	961,219	568,213	2,483,961	1,201,278	795,080	2,950,887
Federal Special Revenue Fund	960,803	124,132	214,709	1,299,644	-103,905	239,741	1,096,639
Proprietary Fund	141,448	-141,448	0	0	-141,448	0	0
Total Funding Costs	2,289,795	$1,109,291	$778,792	$4,177,878	$1,119,325	$1,030,083	$4,439,203

Present Law Mandates

The powers and duties of the division are specified in the Clean Air Act of Montana, (Title 75, Chapter 2, MCA) as contained in the Montana Environmental Policy Act (Title 75, MCA.). The state maintains primacy for these programs, in accordance with the Federal Clean Air Act. The division also contains the Occupational and Radiological Health Bureau, whose duties are provided for in Title 50, Chapters 64 and 70, MCA.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $537,203 in FY96 and $546,057 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $458,299 in FY96 and $448,404 in FY97 due to an increase in contracted services for air quality monitoring, development of a computerized complaint tracking system, contracted services for radon testing and data mapping, rent and utilities for non-state buildings (the division has been moved to Front Street from its location in the Cogswell building, and maintains a district office in Polson), and an increase in the indirect rate charged to the division. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $68,191 in FY96 and $42,431 in FY97. The department requests funding to replace EKTO air monitoring equipment (one item each year, totalling $9,900 in FY96 and $10,400 in FY97), two carbon monoxide analyzers each year (totalling $19,960 in FY96 and $20,400 in FY97), one BIOS flow calibrator each year (totalling $1,400 in FY96 and $1,500 in FY97), one TEOM 1400A Continuous PM-10 analyzer each year ($19,000 in FY96 and $20,000 in FY97), one carbon dioxide monitor in FY96 ($3,200), one 3/4 ton 4WD pickup ($16,100 in FY96), one passenger car ($12,700 in FY96), 11 personal computers in FY96 (totalling $22,000), ten personal computers in FY97 (totalling $22,200), and one laser printer in FY97 ($4,000). The total for the equipment requests is $104,260 in FY96 and $78,500 in FY97.

Grants - The net present law adjustment for grants is $45,598 in FY96 and $82,433 in FY97 due to increased air quality grants to counties.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by 2.00 FTE and other personal services costs for a total of $98,547 in FY96 and $99,252 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Division Administrative Support - The department requests funding for 1.00 FTE and related administrative costs for division support. The position will address critical management needs in the areas of grants, contracts, and oversight of the fee program in the division. Total cost will be $57,242 in FY96 and $51,874 in FY97. This position and costs are funded by general fund ($5,724 in FY96 and $5,187 in FY97), air quality operating fees ($28,621 in FY96 and $25,937 in FY97), asbestos control funds ($5,724 in FY96 and $5,188 in FY97), and federal EPA air quality grant funds ($17,173 in FY96 and $15,562 in FY97).

Mammography Equipment Inspection - The department proposes to conduct mammography equipment inspections under contract with the federal Food and Drug Administration (FDA). In FY95, the department will begin conducting inspections, to be reimbursed by the FDA, for providers in Montana who have mammography equipment. Providers must have this equipment inspected in order to maintain licensure. Federal inspections are paid for by charging fees to providers. If the department performs the inspections, they can do so at about half the cost compared to federal inspectors, thus benefiting Montana providers. The department requests 1.00 FTE and operating expenses, for a total cost of $67,354 in FY96 and $63,000 in FY97, to be paid entirely from federal

mammography fees charged for the inspections.

Compliance and Enforcement - The department requests authority to add 3.50 FTE in FY96 and 5.50 FTE in FY97, with associated costs, to address the requirements of the Clean Air Act of Montana and the Federal Clean Air Act Amendments of 1990 (FCAA). Due to implementation of Title III (air toxics requirements) under the FCAA, several thousand new entities will become regulated. The requested staff will be needed to ensure that industrial sources operate in compliance with their permit requirements. One of the positions requested will be located in the Air Quality Division field offices (located in Billings and Polson). Total cost of the request is $207,834 in FY96 and $306,923 in FY97, to be funded entirely from state special air quality operating fees.

Permitting - The department requests authority to add 4.50 FTE in FY96 and 6.50 FTE in FY97, and associated costs, to address the permitting requirements of the Clean Air Act of Montana and the FCAA. FCAA Title III (air toxics requirements) standards are just now being promulgated. The department will need additional staff to perform the tasks required under these new standards. One staff member will be dedicated to regulatory development, in order to develop and draft air quality rules, address concerns and resolve issues relating to these rules, and promulgate the rules. Additional staff will be devoted to issuance of preconstruction and operating permits for facilities in the state, and to issue permits to the businesses which will now become regulated under the air toxics standards rules. Total funds requested are $252,362 in FY96 and $366,846 in FY97, to be funded entirely from state special air quality operating fees.

Lead Abatement Accreditation - This proposal is one of three initiatives which form the Comprehensive Environmental Lead Reduction Program for the state of Montana. (The other initiatives are contained in the budgets of the Maternal and Child Health Bureau and the Health Services Division.) The department requests 1.00 FTE and funding to establish a Lead Abatement Accreditation Program, as required in Title X, the Residential Lead-Based Paint Hazard Reduction Act of 1992 and Title IV of the Toxic Substances Control Act. This program will provide approval for training and certification of individuals involved in lead-based paint removal. Implementation of this program will render the state eligible for additional Housing and Urban Development funding directed at lead abatement activities in low-income housing. Total costs will be $64,478 in FY96 and $60,500 in FY97. Total funding will come from the federal EPA lead grant.

Radon Program - The department requests 0.50 FTE, operating costs, and grants to counties for a public outreach and information program on radon. Montana has very high concentrations of radon, which is the second leading cause of lung cancer. This program would provide funds to five target counties in FY96 and to ten target counties in FY97 to help in their efforts toward testing and mitigation of indoor radon concentrations. Counties receiving grants will contribute a 50% in-kind match toward the program, which the state will match with federal radon grant funds. Total cost of the program is estimated to be $87,457 in FY96 and $112,457 in FY97, to be funded entirely from federal radon grant funds.

SIP Development and Support - The department requests authority for adding 2.50 FTE in FY96 and 3.00 FTE in FY97 for State Implementation Plan (SIP) development and support. One FTE, an air quality specialist, to develop, maintain, and revise area-specific emission control plans for those areas in Montana which do not meet ambient air quality standards for sulfur dioxide and carbon monoxide (e.g. Billings, Great Falls and Missoula). Another 1.00 FTE, an air monitoring specialist, will develop, coordinate, and perform ambient air quality monitoring for toxic pollutants and will assist in monitoring for other traditional pollutants. Implementation of air toxics requirements under the FCAA will require the division to expand its oversight of industrial monitoring and increase monitoring by the division. To be hired in mid-FY96, 0.50 FTE air quality specialist will provide dispersion modeling

support for the permitting section. This position will review dispersion modeling submitted by industry and will assist small businesses in conducting dispersion modeling, which is submitted with permit applications during the permitting process. Total costs for this request are $140,612 in FY96 and $167,735 in FY97, to be funded by state special air quality operating fees and federal EPA air quality funds.

Funding

The program is funded by four sources: general fund, state special revenue, and federal special revenue. The state special revenue is comprised of air quality operating fees, asbestos control funds, and reclamation and development funds. Federal special revenue contains Environmental Protection Agency (EPA) lead grant funds, radon grant funds, and EPA air quality funds.

5301-04 ENVIRONMENTAL REMEDIATION DIV

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	36.16	.00	-2.00	34.16	.00	-2.00	34.16
Personal Services	1,062,781	223,300	-63,781	1,222,300	229,446	-64,274	1,227,953
Operating Expenses	1,927,013	2,308,269	0	4,235,282	2,015,097	0	3,942,110
Equipment	5,983	14,517	3,100	23,600	26,717	3,100	35,800
Total Agency Costs	**2,995,777**	**$2,546,086**	**$-60,681**	**$5,481,182**	**$2,271,260**	**$-61,174**	**$5,205,863**
State Special Revenue Fund	1,282,201	1,273,282	-30,774	2,524,709	1,276,404	-30,315	2,528,290
Federal Special Revenue Fund	1,713,576	1,272,804	-29,907	2,956,473	994,856	-30,859	2,677,573
Total Funding Costs	**2,995,777**	**$2,546,086**	**$-60,681**	**$5,481,182**	**$2,271,260**	**$-61,174**	**$5,205,863**

Present Law Mandates

The division is responsible for carrying out the provisions of the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, Public Law 96-510, (CERCLA), as provided for in Title 75, Chapter 10, part 6, MCA, the Comprehensive Environmental Cleanup and Responsibility Act (CECRA), as provided for in Title 75, Chapter 10, part 7, MCA, and Leaking Underground Storage Tank activities, provided for in Title 75, Chapter 11, MCA.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $223,300 in FY96 and $229,446 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $2,308,269 in FY96 and $2,015,097 in FY97 mostly due to an increase in contracted services to conduct and oversee Superfund (state and federal) site investigations, risk assessments, feasibility studies, remedial designs, remedial actions, and other related activities, an increase in contracted services (geological, hydrological, engineering, surveying and other environmental consulting) to complete remedial investigations and cleanup of leaking underground storage tank sites, an increase in contracted services to conduct responsible party searches for state Superfund cleanup and recovery activities, and an increase in the indirect administrative costs charged to the division. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $14,517 in FY96 and $26,717 in FY97. The department requests funding to replace ten personal computers in FY96 and nine in FY97 (costs are $18,000 FY96 and $16,200 FY97), a facsimile machine in FY97 ($3,000), a laser printer in FY97

($5,000), one field vapor meter in FY97 ($6,000), and one combustible gas indicator during each year of the biennium ($2,500 each year). The total for the equipment requests is $20,500 in FY96 and $32,700 in FY97.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by 2.00 FTE and additional personal services funds totalling $63,781 in FY96 and $64,274 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

New Computer Equipment - The department requests funds to purchase two new computer hard drives (one each year of the biennium). The total cost will be $3,100 each year of the biennium, funded from state special and federal revenue.

Funding

The division is funded by state special revenue and federal special revenue. The state special revenue is comprised of Burlington Northern remediation funds (BN Activity), Hazardous Waste Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) funds (the Hazardous Waste CERCLA account contains 18% of the interest from the resource indemnity trust (RIT) fund, retained interest earnings on this portion of the RIT fund, and damages or settlements collected under CERCLA activity), Environmental Quality Protection funds (the EQPF is made up of 6% of the interest from the RIT fund, retained interest earnings on this portion of the RIT fund, and damages or settlements collected under Comprehensive Environmental Cleanup and Responsibility Act (CECRA) activity), and Atlantic Richfield Company remediation funds (ARCO). Federal special revenue contains Leaking Underground Storage Tank (LUST) trust funds and cost recovery funds, Superfund Core funds, Superfund Multi-site funds, Superfund Montana Pole funds, Superfund Silver Bow funds, and funds provided under a federal Department of Defense (DOD) Memorandum of Understanding (MOU) with the department.

5301-05 WATER QUALITY DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	76.25	.00	16.50	92.75	.00	18.50	94.75
Personal Services	2,558,889	274,722	339,704	3,173,315	294,482	406,633	3,260,004
Operating Expenses	2,259,242	1,861,858	433,179	4,554,279	2,322,007	390,158	4,971,407
Equipment	63,052	9,888	35,744	108,684	-53,010	7,500	17,542
Grants	335,262	54,238	0	389,500	74,238	0	409,500
Total Agency Costs	**5,216,445**	**$2,200,706**	**$808,627**	**$8,225,778**	**$2,637,717**	**$804,291**	**$8,658,453**
General Fund	0	0	90,202	90,202	0	80,177	80,177
State Special Revenue Fund	1,961,049	715,753	519,784	3,196,586	772,267	478,952	3,212,268
Federal Special Revenue Fund	3,255,396	1,484,953	198,641	4,938,990	1,865,450	245,162	5,366,008
Total Funding Costs	**5,216,445**	**$2,200,706**	**$808,627**	**$8,225,778**	**$2,637,717**	**$804,291**	**$8,658,453**

Present Law Mandates

The division is responsible for protecting the quality of Montana water resources, as outlined in Water Quality, Title 75, Chapter 5, MCA, Public Water Supplies, Distribution, and Treatment, Title 75,Chapter 6, MCA, and Aquatic Ecosystem Protections, Title 75, Chapter 7, MCA. The division

also operates under provisions of the federal Clean Water Act and the federal Safe Drinking Water Act.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $274,722 in FY96 and $294,482 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $1,861,858 in FY96 and $2,322,007 in FY97 mostly due to increased contracted services for non-point source control programs and the wetlands program (federal funding available under the federal Clean Water Act is greatly increased), contracted services increases for resources in the water permits program, increased contracted services in the state revolving fund and construction grants programs, increased contracts with the Montana Bureau of Mines and Geology to provide assistance to public water suppliers and funding through Montana State University-Havre to provide training for water and wastewater operators, and an increase in the indirect administrative costs charged to the division. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $9,888 in FY96 and a negative $53,010 in FY97. The department requests funding to replace 21 personal computers in FY96 and three in FY97 (total costs are $36,760 in FY96 and $7,352 in FY97), a portable water quality meter in FY96 ($2,162), and electronic current meter in FY97 ($1,640), one desk each year of the biennium (total cost $1,018 in FY96 and $1,050 in FY97), a passenger car for the Billings regional office in FY96 ($12,400), a 4WD pickup truck in FY96 for the Billings regional office ($15,500), one laser printer in FY96 ($2,100), and two hard disk drivers for a server in FY96 (total cost $3,000). The total for the equipment requests is $72,940 in FY96 and $10,042 in FY97.

Grants - The net present law adjustment for grants is $54,238 in FY96 and $74,238 in FY97. The drinking water and subdivisions programs grants increase by $71,390 in FY96 and $91,390 in FY97 over base year expenditures, but were partially offset by a reduction of $17,152 each year of the biennium in grants from the state revolving fund and construction programs.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by $141,230 in FY96 and $142,444 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Enforcement and Legal Support - The department requests funding for 1.00 FTE and associated costs for an administrative support position. The total cost will be $33,746 in FY96 and $28,147 in FY97.

Additional FTE Public Water Supply - The department requests funding for 2.00 FTE and operating expenses for Water Quality Specialists to be added to the Public Water Supply program technical staff. The Public Water Supply Task Force recommended these staff be added to assist in implementing regulatory requirements currently mandated by the Environmental Protection Agency (EPA). One position would be located in the Billings regional office to help with sanitary surveys, technical assistance to small public water systems, complaint investigations, operator training, and contamination investigation and follow-up. The second position would be located in Helena to coordinate and implement statewide compliance monitoring for all EPA regulatory requirements to date. Total cost for this proposal will be $107,687 in FY96 and $97,972 in FY97. Funding for this proposal would come from public water supply service connection fees.

NPDES Administrative Support - Currently the division does not have a position dedicated to providing effluent data entry, permit fee assessment, billing of fees, and tracking of fees. This proposal requests 1.00 FTE and operating costs to perform these functions for the National Pollutant Discharge Elimination System (NPDES) Program operated by the division. The cost would be

$35,886 in FY96 and $30,134 in FY97, funded from fees assessed by the NPDES program.

Subdivision Support - The department requests funding and operating expenses for 2.00 FTE in the Public Water Supply and Water and Wastewater Operator Certification Programs. The positions would be used to provide support for increased EPA regulatory requirements and work added due to increased subdivision activity in Montana. Part of one position would be used to provide support services to the Polson regional office. Total costs would be $77,948 in FY96 and $62,283 in FY97, to be funded from Public Water Supply funds and Subdivision review fees.

Groundwater/Permits/UIC - The department requests funding and operating expenses for 1.50 FTE in FY96 and 2.50 FTE in FY97 for the Groundwater program. These positions would process ground water discharge permits, conduct compliance inspections, provide technical assistance for existing and new animal waste management and disposal facilities, assist local governments in developing local water quality districts, and develop an underground injection control (UIC) program for facilities that dispose of wastewater into shallow ground water through open drain wells. The total cost for this request is $83,035 in FY96 and $129,564 in FY97. Funding would come from a combination of state special NPDES permit program fees and EPA ground water funds.

Legal Support - The division requests 1.00 FTE and operating expenses for a lawyer specialist to assist with judicial enforcement actions, administrative enforcement, legislation, rules, legal opinions, and policy legal support. Costs will be $56,456 in FY96 and $52,030 in FY97, to be paid for entirely with general fund.

Division Administrative Support - The division currently has no centralized administrative support. The division requests funding for 1.00 FTE and related operating costs to provide for an administrative assistant. This person will be responsible for developing and maintaining a central filing system, providing phone answering support, tracking staff, and tracking correspondence for the division. Related costs are $33,746 in FY96 and $28,147 in FY97, to be funded from the Hazardous Waste CERCLA account.

Public Water Supply Specialist - Polson - The area surrounding Polson contains some of the most rapidly growing and populous counties in the state. The division requests funds for 1.00 FTE and operating costs to provide an additional water quality specialist in the Polson regional office. This person will provide technical assistance, plan review, sanitary surveys, and contaminant follow-up for the Public Water Supply Program located in the office. Total costs will be $57,158 in FY96 and $52,254 in FY97, to be paid from public water supply service connection fees.

MPDES Industrial Plan Review - The Montana Pollutant Discharge Elimination System (MPDES) program issues permits for industrial waste disposal and treatment systems. The division requests 1.00 FTE and operating costs to provide additional support for this program. The position would review the industrial waste disposal and treatment system plans submitted for permitting, as required by the Montana Water Quality Act and Montana Public Water Supply Act. Costs will be $76,089 in FY96 and $70,687 in FY97, and will be paid out of the NPDES permit program fees.

Monitoring - Clean Lakes - This proposal is to create and fund a position which will provide ambient water quality data and other information in support of developing discharge permits under the MPDES program. The division requests 1.00 FTE and operating costs, totalling $74,493 in FY96 and $76,172 in FY97, paid from NPDES permit program fees, for this purpose.

State Revolving Fund - The State Revolving Fund Program provides financial and technical assistance for small communities building water pollution control facilities such as wastewater treatment plants

and collection systems. Federal initiatives will increase the funding for this program significantly, and combined with the existing need to market and manage the current program, the department requests 1.00 FTE and operating expenses to support the program. Total cost will be $68,535 in FY96 and $68,537 in FY97. Funding will come from state special revenue and the federal Wastewater Treatment grant.

Drinking Water Revolving Loan Program - This proposal is contingent upon legislation being introduced to amend the Safe Drinking Water Act. A new revolving loan program would be created which provides financial and technical assistance to small communities seeking to develop water treatment and collection facilities for drinking water. It is modeled after the State Revolving Loan Program. The department requests 3.00 FTE in FY96 and 4.00 FTE in FY97 along with operating expenses to support this new program. Total costs would be $212,953 in FY96 and $232,308 in FY97, to be funded from state special revenue and the federal Wastewater Treatment grant.

4 Wheel Drive Truck/ Clean Lakes - This request is for a new 4WD pickup truck to be dedicated to the Clean Lakes project. The program has a boat, motor, trailer, and monitoring equipment which are used for the project. This pickup would be specially outfitted to pull the trailer and boat. Total cost is $15,000 in FY96, funded from federal Clean Lakes grants.

Monitor Clark Fork ARCO (BA285) - Under an agreement with the department, the Atlantic Richfield Company (ARCO) has agreed to fund analysis of biological samples collected on the Clark Fork river. This work will be performed under contracted services, and used by the department to gauge clean up efforts on the Clark Fork. Total cost is $16,625 in FY96 and $18,500 in FY97, to be paid by ARCO.

Funding

The division is funded by general fund, state special revenue, and federal special revenue. The state special revenue is comprised of Hazardous Waste Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) funds (the Hazardous Waste CERCLA account contains 18% of the interest from the resource indemnity trust (RIT) fund, retained interest earnings on this portion of the RIT fund, and damages or settlements collected under CERCLA activity), wastewater administrative account funds, Atlantic Richfield Company remediation funds (ARCO), public drinking water funds, agricultural monitoring fees, Water Quality Rehabilitation Account fees, Water Quality State Lands funds, National Pollutant Discharge Elimination System (NPDES) permit program fees, Subdivision Plat review fees, and Board of Certification of Water and Wastewater Operator fees. Federal revenues include the Wastewater Treatment grant, Non-Point Source (NPS) Implementation grant, Stormwater funds, Wetlands grant, Clean Lakes grant, Environmental Protection Agency (EPA) Groundwater funds, Pollution Prevention funds, EPA 106 Water grant, EPA Water Quality 205J funds, EPA Construction grants, and EPA Safe Drinking Water funds.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	39.47	-1.00	3.50	41.97	-1.00	3.50	41.97
Personal Services	1,231,519	88,564	71,482	1,391,565	94,078	71,654	1,397,251
Operating Expenses	987,107	893,207	1,135,599	3,015,913	747,795	1,141,190	2,876,092
Equipment	7,082	31,118	24,093	62,293	14,618	0	21,700
Grants	393,352	67,698	0	461,050	67,698	0	461,050
Total Agency Costs	**2,619,060**	**$1,080,587**	**$1,231,174**	**$4,930,821**	**$924,189**	**$1,212,844**	**$4,756,093**
General Fund	1,234,785	339,259	-22,287	1,551,757	274,105	-22,597	1,486,293
State Special Revenue Fund	651,399	98,300	20,619	770,318	98,816	20,692	770,907
Federal Special Revenue Fund	732,876	643,028	1,232,842	2,608,746	551,268	1,214,749	2,498,893
Total Funding Costs	**2,619,060**	**$1,080,587**	**$1,231,174**	**$4,930,821**	**$924,189**	**$1,212,844**	**$4,756,093**

Present Law Mandates

The division contains several functions with distinct state mandates or authorization. The Emergency Medical Services Bureau carries out a portion of the duties listed under the general department duties contained in 50-1-202, MCA, which provides for the general powers and duties of the department, and has responsibility for the Emergency Medical Services laws contained in Title 50, Chapter 6, MCA. The Food and Consumer Safety Bureau also fulfills duties outlined in 50-1-202, MCA, and is responsible for the Consumer Product Safety Act (Title 50, Chapter 30, MCA.), the Montana Food, Drug, and Cosmetic Act (Title 50, Chapter 31, MCA.), the Flour and Bread laws (Title 50, Chapter 34, MCA.), the Mattresses-Shoddy Control law (Title 50, Chapter 36, MCA.), Food and Nutrition laws (Title 50, Chapter 49, MCA.), Food Establishments laws (Title 50, Chapter 50, MCA.), Hotels, Motels, and Roominghouses laws (Title 50, Chapter 51, MCA.), Tourist Campgrounds and Trailer Courts laws (Title 50, Chapter 52, MCA.), and Public Swimming Pools and Swimming Areas laws (Title 50, Chapter 53, MCA.). The Vital Records and Statistics bureau, responsible for a portion of the general duties contained in 50-1-202, MCA, and for the Vital Statistics laws contained in Title 50, Chapter 15, MCA, is housed in this division. The medical unit is responsible for the Health Care Information law (Title 50, Chapter 16, MCA.). The division also operates the End Stage Renal Disease Program provided for in 50-44-102, MCA.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $88,564 in FY96 and $94,078 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $893,207 in FY96 and $747,795 in FY97 mainly due to a substantial increase in contracted services in the Emergency Medical Services Bureau for upgrading the Montana Trauma System, increased automation of the vital records and statistics bureau, an increase in supplies and materials for EMT certification, and a substantial increase in the indirect rate charged to the division. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $31,118 in FY96 and $14,618 in FY97. The department requests funds to replace nine computers, a defibrillator, the Billings regional office staff car used primarily by the Food and Consumer Safety Bureau staff to travel to inspections, and one laser printer during FY97, as well as six computers, one laser printer, and one microfilm camera in FY97. The total for the equipment requests is $38,200 in FY97 and $21,700 in FY96.

Grants - The net present law adjustment for grants is $67,698 each year of the biennium. This is

for grants to counties to perform inspections and enforcement for the Food and Consumer Safety Bureau.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by 1.00 FTE and additional personal services funds totalling $66,287 in FY96 and $66,597 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Health Statistics - With the increasing emphasis on management of public health and on health care cost containment, the department is receiving increasing demand for public health information. In order to respond to present and increasing needs, the department proposes expanding the capability of the vital statistics system to include other public health data systems. Two FTE will be needed with expertise in data handling and data analysis in order to facilitate access to and assistance with data acquisition and analysis. The total cost is $100,000 each year of the biennium, entirely funded from federal block grant funds.

Tumor Registry - The Centers for Disease Control (CDC) has made funds available to states for enhancing existing cancer registries. Since the inception of the registry in 1979 (as provided in 50-15-705, MCA) there has been very little funding available for data analysis and dissemination. The department requests federal authority of $138,342 in FY96 and $120,249 in FY97 to upgrade the registry computer capability and to contract for data analysis services. The information obtained will be disbursed to the public health and medical community in Montana.

HUD Funds, Lead Abatement - The state is eligible to receive $1,000,000 each year of the biennium in Environmental Protection Agency (EPA) Title X funds for lead poisoning prevention efforts directed toward lead in housing and soils. The state is required to have a lead certification and training program in place, in order to be eligible for funds. (The lead certification program is proposed in the Air Quality Division budget, and a lead abatement initiative is proposed in the Maternal and Child Health bureau budget. The HUD funds, together with these two additional initiatives, form the Comprehensive Environmental Lead Reduction Program.) The department requests one FTE and total federal authority of $1,000,000 each year of the biennium to use for abatement of environmental lead in homes.

Licensing Administrative Support - The Food and Consumer Safety Bureau requests funding for 1.00 FTE to provide administrative support. Total costs would be $21,619 in FY96 and $21,692 in FY97.

Inspect State Facilities - The department requests approval for 0.50 FTE and associated costs each year to perform direct state sanitary and food safety inspections of state facilities participating in interstate commerce of food products. The state would be performing the inspections under a federal contract in lieu of direct federal inspections (the level of inspection would meet federal requirements). A specialized inspector is required due to the need for training beyond the scope of generalized local health agency inspectors. Total cost would be $37,500 each year of the biennium, totally federally funded.

Funding

This division is funded by a combination of general fund, state special revenue funds, and federal special revenue funds. State special revenues include EMT certification revenue, DHES food and consumer safety fees, health planning fees (CON), vital statistics revenue, and food/lodging license fees. Federal special revenues include public health special revenue, preventive health block grant, maternal and child health block grant, trauma care and planning revenue, diabetes control funds,

primary care services revenue, EMS revenue from Highway Traffic Safety, vital statistics revenue, and breast and cervical cancer prevention funding.

5301-07 FAMILY/MCH BUREAU

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	30.50	.00	4.50	35.00	.00	4.50	35.00
Personal Services	1,046,191	15,722	135,946	1,197,859	20,866	136,183	1,203,240
Operating Expenses	3,438,671	-763,154	714,147	3,389,664	-769,479	638,637	3,307,829
Equipment	120,007	48,571	0	168,578	96,856	0	216,863
Grants	11,028,012	1,819,710	0	12,847,722	2,885,340	0	13,913,352
Benefits and Claims	6,913,950	2,059,525	0	8,973,475	2,059,525	0	8,973,475
Total Agency Costs	**22,546,831**	**$3,180,374**	**$850,093**	**$26,577,298**	**$4,293,108**	**$774,820**	**$27,614,759**
General Fund	922,086	98,656	238,000	1,258,742	98,528	238,000	1,258,614
Federal Special Revenue Fund	21,624,745	3,081,718	612,093	25,318,556	4,194,580	536,820	26,356,145
Total Funding Costs	**22,546,831**	**$3,180,374**	**$850,093**	**$26,577,298**	**$4,293,108**	**$774,820**	**$27,614,759**

Present Law Mandates

The division contains several functions with distinct state and federal mandates or authorization. The Family Planning Program is federally mandated as a condition of acceptance of Title X Family Planning federal funds. The Genetics Program is provided for in 33-2-712, MCA. The Montana Initiative for the Abatement of Mortality in Infants (MIAMI) Program is federally mandated as a condition of acceptance for federal Title V Maternal and Child Health (MCH) block grant and by Title 50, Chapter 19, part 3, MCA, the MIAMI Act. County Public Health Support, MCH Administration, County Data Development, Children's Special Health Services (requiring 30% of the total MCH block grant to be expended on these services), and Medical Outreach are also mandated as conditions of acceptance of the federal MCH block grant. Nutrition programs are federally mandated as a condition of acceptance of the Women Infants and Children (WIC) federal grant. Among the new proposals, the Lead Abatement Expansion is mandated as a condition of acceptance of the federal Public Health Service grant from the Centers for Disease Control (CDC), a Family Planning Health Educator is mandated as a condition of acceptance of Title X Family Planning federal funds, and Community System Development (BA 486) is mandated as a condition of accepting MCH block grant. All other programs run by the division are responsible for carrying out duties listed under the general department duties contained in 50-1-202, MCA, which provides for the general powers and duties of the department.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $15,722 in FY96 and $20,866 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses decrease $763,154 in FY96 and $769,479 in FY97 primarily due to a large decrease in contracted services for nutrition programs ($903,856 in FY96 and $888,755 in FY97), with smaller reductions in contracted services for community data development and children's special health needs, all of which were partially offset by increases in indirect charges for administration and an increase in MIAMI. The remaining operating expense changes are mainly a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $48,571 in FY96 and $96,856 in FY97. The department requests funds to purchase 45 computers, eight local agency servers, Netware and

Anywhere software for eight sites in FY96, and 32 computers, sixteen local agency servers, Netware and Anywhere software for 16 sites in FY97, for a total of $168,578 in FY96 and $216,863 in FY97. Of the total requests listed above, four computers and one local agency server during each year of the biennium are replacement equipment. The balance are new purchases. The equipment will be purchased/replaced with 100% federal funds.

Grants - The net present law adjustment for grants is $1,819,710 in FY96 and $2,885,340 in FY97. The major portion of the increase was in the nutrition grants, with smaller increases in family planning grants, and county public health support for maternal and child health.

Benefits and Claims - The net present law adjustment for benefits and claims is $2,059,525 each year of the biennium. The entire increase is in the nutrition programs.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by $53,096 in FY96 and $53,540 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Follow Me Expansion - The executive proposes to expand the Follow Me Program to an additional ten counties in Montana. Follow Me is a project where children of the ages between birth and entry into elementary school, are identified for targeted risk conditions which have the potential of adversely affecting their healthy growth and development. The program works with these children, their families, and communities to alleviate the impact of the risk conditions. Examples of risk conditions include a baby born to teenage parents, premature birth, or neglect. Follow Me is based out of local health departments and provides services such as in-hospital assessment of a newborn, and continuing MIAMI intervention with high risk families and infants after the baby comes home. With this expansion, Follow Me would be able to screen approximately 70% of the births in Montana to identify high risk kids and families. This proposal also includes a request for 1.00 FTE, nurse consultant to work with expansion counties under Follow Me, and families served in clinics developed through the Children's Special Health Services Program. The total cost of the proposal is $283,401 in FY96 and $283,573 in FY97.

Medical Outreach - A review in September of 1993 by the federal Department of Health and Human Services (HHS) resulted in a recommendation that the bureau add a physician and a social worker to provider medical outreach support for programs such as Follow Me and MIAMI. The department requests 2.00 FTE and associated costs for this purpose. The cost would be $150,000 each year of the biennium and a portion of these costs will be paid through Medicaid match.

Lead Abatement Expansion - The department proposes developing a three-part Comprehensive Environmental Lead Reduction Program. The bureau requests funding for continuation and expansion of a federal grant begun in FY94. The existing state program for lead screening and education, which is operated by the Butte-Silver Bow Health Department under contract with the department, is currently active in Great Falls, Missoula, and Butte (the Butte program is known as the Butte Childhood Lead Poisoning Prevention program). The program will be expanded to establish screening and education programs in six surrounding rural counties. The cost will be $300,000 each year of the biennium and is totally federally funded. The other two parts of the Comprehensive Environmental Lead Reduction Program are discussed in the narrative for the Health Services Division and the Air Quality Division, respectively.

Child Nutrition Administrative Support - The department requests funding for 0.50 FTE and associated costs to provide administrative and clerical support to the Child Nutrition Program. The person would work with local family day care sponsors, Head Start, and child care centers. Since 1991, the increase in funding of the program has exceeded 10% per year, yet the program operates

with the same number of FTE as it had in 1985. Total costs are estimated to be $19,788 in FY96 and $19,787 in FY97. Funding is 100% federal funds.

Family Planning Health Educator - At the recommendation of the federal agency administering the Title X, Family Planning Services grant, the department requests the addition of 1.00 FTE health educator. This position would coordinate and supervise statewide family planning education activities, which are currently being provided through contracted services. Total costs would be $50,000 each year of the biennium, to be funded from the federal Family Planning grant.

Funding

This bureau is funded by a combination of general fund and federal special revenue funds. Federal special revenues include Title X Family Planning funds, Women, Infants and Children (WIC) funds, Preventive Health block grant, Title V Maternal and Child Health (MCH) block grant, Community Systems Development grant, Child Nutrition grant, and MCH Data Utilization grant.

5301-08 PREVENTIVE HEALTH BUREAU

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	27.50	-1.00	8.00	34.50	-1.00	8.00	34.50
Personal Services	715,464	155,838	197,566	1,068,868	160,218	198,184	1,073,866
Operating Expenses	1,214,060	708,241	1,655,082	3,577,383	740,562	1,750,140	3,704,762
Equipment	6,177	7,023	0	13,200	4,823	0	11,000
Grants	16,759	-16,759	0	0	-16,759	0	0
Total Agency Costs	**1,952,460**	**$854,343**	**$1,852,648**	**$4,659,451**	**$888,844**	**$1,948,324**	**$4,789,628**
General Fund	91,890	18,110	50,000	160,000	20,110	50,000	162,000
State Special Revenue Fund	17,080	-17,080	0	0	-17,080	0	0
Federal Special Revenue Fund	1,843,490	853,313	1,802,648	4,499,451	885,814	1,898,324	4,627,628
Total Funding Costs	**1,952,460**	**$854,343**	**$1,852,648**	**$4,659,451**	**$888,844**	**$1,948,324**	**$4,789,628**

Present Law Mandates

The division contains programs which carrying out duties required in 50-1-202, MCA, which provides for the general powers and duties of the department. In particular, the division is responsible for the control of communicable diseases as defined in 50-2-101, MCA, and providing for quarantine measures as provided in 50-1-204, MCA. The division has responsibility for the Tuberculosis Control laws (Title 50, Chapter 17, MCA.), the Sexually Transmitted Diseases laws (Title 50, Chapter 18, MCA.), and the Rabies Control laws (Title 50, Chapter 23, MCA.). The division must operate a Sexual Assault Prevention Program as a condition of receiving federal Preventive Health block grant funds. The division must also develop a state immunization information system as a condition of receiving immunization grants from the federal Centers for Disease Control (CDC).

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $155,838 in FY96 and $160,218 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increased $708,241 in FY96 and $740,562 in FY97 mostly due to a large increase in the contracts with county health departments in the communicable disease program, an increase in contracts with non-profit organizations providing services for the Sexual Assault Prevention Program (this level of spending for rape crisis and

prevention efforts is a requirement for receipt of the Preventive Health block grant), and a substantial increase in indirect costs charged to the bureau. The remaining operating expense changes are mainly a result of fixed costs and inflation/deflation.
Equipment - The net present law adjustment is $7,023 in FY96 and $4,823 in FY97. The department requests funds to replace six computers in FY96 and five computers in FY97. The total cost for replacement is $13,200 in FY96 and $11,000 in FY97. One computer in FY97 will be purchased with general fund ($2,200) and all other computers will be purchased with federal funds.
Grants - The net present law adjustment for grants is a negative $16,759 each year of the biennium. No grants are budget in the 1997 biennium, compared to a base year expenditure of $16,759 for grants.

New Proposals
Personal Services Reduction - The personal services budget for the program is reduced by $46,970 in FY96 and $47,336 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Public Health Nutritionist - In keeping with the department mission to improve the public health of Montanans, the department requests funding for 1.00 FTE and associated costs for a public health nutritionist. Dietary factors are associated with five of the ten leading causes of death in the U.S. An estimated $65 billion in health care costs are associated with treatment of heart disease, cancer, and stroke, alone. The nutritionist will be responsible for working with Montanans to ensure access to adequate nutrition and ability to use food subsidy programs when necessary, and to provide education and support regarding appropriate food choices and proper dietary practices. The total cost will be $59,194 in FY96 and $61,199 in FY97, funded entirely from the Preventive Health block grant.

Communicable Disease Emergency - The department is responsible for preventing the spread of communicable diseases, from known cases to persons who have come into contact with the known cases. The state epidemiologist has a current budget of approximately $7,000 per year to deal with emergency outbreaks. This request is for $50,000 general fund each year of the biennium, to provide backup funds for additional outbreaks, in the event that the current budget is not sufficient. Recent outbreaks such as the Hantavirus and E-coli cases have demonstrated the need to be able to respond quickly in order to protect the public.

Diabetes Control - The state has received a grant from the Centers for Disease Control (CDC) to address diabetes control and prevention. The first year of the grant is FY95. This request is for authority to continue the program in the 1997 biennium. The program will focus on definition and monitoring of the burden of diabetes (measured in direct medical care costs and indirect costs due to loss of productivity), developing methods to reduce these costs of diabetes, implementing the methods to reduce direct and indirect costs of diabetes, and coordination of these program efforts with the health care system at large. Total costs will be $201,474 in FY96 and $220,245 in FY97, funded entirely from federal diabetes control funds.

State Immunization Information System (BA357) - As a condition of receiving federal immunization grants, the state is required to develop and maintain a statewide computerized immunization tracking system, which tracks the immunization histories of Montana children. The department requests 1.00 FTE and operating expenses to carry on with development and maintenance of the system begun in FY95. The total cost of the project is expected to be $1,000,000 each year of the biennium, funded entirely from federal immunization grants.

Breast and Cervical Cancer (BA487) - The department requests 3.00 FTE and operating expenses to

continue with a Breast and Cervical Cancer Prevention Program begun during FY95. The expected cost of the program will be $288,950 in FY96 and $314,216 in FY97, entirely funded by a federal Breast and Cervical Cancer Prevention grant.

Expand Tobacco Control Program (BA529) - Tobacco use is one of the leading causes of lung, throat, and mouth cancer. The department has received a federal grant to use in outreach and prevention programs to reduce the use of tobacco in the state of Montana. The department requests 1.00 FTE and operating costs to continue with the program. Total cost will be $300,000 in FY96 and $350,000 in FY97, to be entirely funded by the federal Tobacco Control grant.

Funding

The division receives general fund and federal special revenue to operate its programs. The major source of federal funding is the federal Preventive Health block grant. The division also receives Title V Maternal and Child Health (MCH) block grant, a Tuberculosis grant, a Chronic Disease grant, a Diabetes Control grant, funds from Title II, Ryan White Act (to address Acquired Immune Deficiency Syndrome (AIDS) public health issues), a Tobacco Control grant, Seroprevalence/Surveillance funds (immunization), vaccination program funds, Sexually-Transmitted Disease (STD) funds, AIDS funds (non-Ryan White Act), and a Breast and Cervical Cancer Prevention grant.

5301-09 HEALTH FACILITIES DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	51.00	.00	-2.00	49.00	.00	-2.00	49.00
Personal Services	1,625,157	184,523	-90,484	1,719,196	195,619	-91,039	1,729,737
Operating Expenses	482,700	424,044	0	906,744	432,508	0	915,208
Equipment	34,930	-4,930	0	30,000	-4,930	0	30,000
Total Agency Costs	**2,142,787**	**$603,637**	**$-90,484**	**$2,655,940**	**$623,197**	**$-91,039**	**$2,674,945**
General Fund	443,980	238,476	0	682,456	244,101	0	688,081
Federal Special Revenue Fund	1,698,807	365,161	-90,484	1,973,484	379,096	-91,039	1,986,864
Total Funding Costs	**2,142,787**	**$603,637**	**$-90,484**	**$2,655,940**	**$623,197**	**$-91,039**	**$2,674,945**

Present Law Mandates

The division is responsible for certification and licensure of health facilities in the state of Montana. A portion of the duties listed under the general department duties contained in 50-1-202, MCA, which provides for the general powers and duties of the department, are the responsibility of the division, along with the Hospitals and Related Facilities laws contained in Title 50, Chapter 5, MCA, and One-Step Facility Licensing contained in Title 50, Chapter 8, MCA.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $184,523 in FY96 and $195,619 in FY97.
Inflation/Deflation & Fixed Costs - Net operating expenses increase $424,044 in FY96 and $432,508 in FY97 due to increases in contracted services for surveys and inspections of facilities prior to renewal or issuance of licenses, contracted services to implement a nurse aide abuse investigation and fair hearings process to comply with OBRA 87, and an increase in indirect costs charged to the bureau. The remaining operating expense changes are mainly a result of fixed costs and

inflation/deflation.
Equipment - The net present law adjustment is a negative $4,930 each year of the biennium. The department requests $10,000 each year of the biennium to replace personal computers, monitors, and small office equipment. The department also wishes to purchase four new personal computers and other office equipment for the contracted services staff to be added for licensing. Total cost is $30,000 general fund each year of the biennium.

New Proposals
Personal Services Reduction - The personal services budget for the program is reduced by 2.00 FTE and additional personal services costs, totalling $90,484 in FY96 and $91,039 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Funding
The division is funded by general fund and federal special revenue. Federal special revenue sources are Title 18 funds, Title 18 Clinical Laboratory Improvement Act (CLIA) funds, and Title 19 funds.

5301-10 HEALTH CARE AUTHORITY

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	4.02	.98	1.00	6.00	.98	1.00	6.00
Personal Services	0	213,485	19,531	233,016	214,297	19,565	233,862
Operating Expenses	0	298,268	66,027	364,295	222,718	66,027	288,745
Equipment	0	0	3,600	3,600	0	3,600	3,600
Total Agency Costs	0	$511,753	$89,158	$600,911	$437,015	$89,192	$526,207
General Fund	0	261,753	89,158	350,911	187,015	89,192	276,207
State Special Revenue Fund	0	250,000	0	250,000	250,000	0	250,000
Total Funding Costs	0	$511,753	$89,158	$600,911	$437,015	$89,192	$526,207

Present Law Mandates
The powers and duties of the authority are contained in Title 50, Chapter 4, MCA, the Montana Health Care Authority. The Certificate of Need program is provided for in Title 50, Chapter 5, part 3, MCA.

Present Law Base
Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $213,485 in FY96 and $214,297 in FY97.
Inflation/Deflation & Fixed Costs - Net operating expenses increased $298,268 in FY96 and $222,718 in FY97. The budget for the Montana Health Care Authority is contained entirely in present law adjustments and new proposals.

New Proposals
Personal Services Reduction - The personal services budget for the program is reduced $11,751 in FY96 and $11,827 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

CON Workload - In the present law base, 2.00 FTE and associated costs totalling $86,753 in FY96 and $87,015 in FY97, for the Certificate of Need (CON) Program, are moved to the Authority from the Health Facilities Division in the Department of Health and Environmental Sciences. The executive proposes adding 1.00 FTE, operating costs, and equipment costs totalling $100,909 in FY96 and $101,019 in FY97 to the CON program. In addition, the program will share an administrative assistant with the Authority personnel. This position is located in the present law base budget for the Authority. Funding for the CON program expansion is 100% general fund.

Funding

The authority is funded by general fund and state special revenue funds (donations and private funds authority).

5301-11 PETRO TANK RELEASE COMP BOARD

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	23.84	.50	.00	24.34	.50	.00	24.34
Personal Services	608,899	188,543	-37,853	759,589	192,294	-38,038	763,155
Operating Expenses	340,416	217,046	0	557,462	226,867	0	567,283
Equipment	22,358	-1,058	8,500	29,800	-6,058	8,500	24,800
Total Agency Costs	**971,673**	**$404,531**	**$-29,353**	**$1,346,851**	**$413,103**	**$-29,538**	**$1,355,238**
State Special Revenue Fund	971,673	404,531	-29,353	1,346,851	413,103	-29,538	1,355,238
Total Funding Costs	**971,673**	**$404,531**	**$-29,353**	**$1,346,851**	**$413,103**	**$-29,538**	**$1,355,238**

Present Law Mandates

The powers and duties of the board are contained in Title 75, Chapter 11, part 3, MCA, Petroleum Tank Storage Cleanup laws.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $188,543 in FY96 and $192,294 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $217,046 in FY96 and $226,867 in FY97 due to increased contracted services for technical and support staff in regional offices, increased contracted services for litigation due to contested case hearings, and an increase in the indirect administrative rate charged to the board. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is a negative $1,058 in FY96 and an increase of $6,058 in FY97. The board requests funding to replace one personal computer each year of the biennium (totalling $1,800 each year), one combustible gas indicator during each year of the biennium ($2,500 each year), two organic vapor meters each year of the biennium (totalling $12,000 each year), and miscellaneous field equipment in FY9 ($5,000). The total for the equipment requests is $21,300 in FY96 and $16,300 in FY97.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced $37,853 in FY96 and $38,038 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

PTRCB Equipment - The board requests funds to purchase one new organic vapor monitor and one new combustible gas indicator each year of the biennium. Total cost is $8,500 each year, to be funded from petroleum storage tank cleanup state special revenue.

Funding

The activities of the board are funded entirely by the petroleum tank release cleanup fund, provided for in 75-11-313 and 75-11-314, MCA.

5301-12 WASTE MANAGEMENT DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	48.34	-.50	-1.00	46.84	-.50	-1.00	46.84
Personal Services	1,413,712	233,386	-83,208	1,563,890	242,302	-83,921	1,572,093
Operating Expenses	652,062	361,606	0	1,013,668	395,436	0	1,047,498
Equipment	9,953	22,647	0	32,600	1,547	0	11,500
Grants	891,747	198,244	0	1,089,991	169,090	0	1,060,837
Total Agency Costs	2,967,474	$815,883	$-83,208	$3,700,149	$808,375	$-83,921	$3,691,928
General Fund	122,934	34,652	-4,900	152,686	34,982	-4,950	152,966
State Special Revenue Fund	2,230,985	830,286	-62,808	2,998,463	877,448	-64,580	3,043,853
Federal Special Revenue Fund	613,555	-49,055	-15,500	549,000	-104,055	-14,391	495,109
Total Funding Costs	2,967,474	$815,883	$-83,208	$3,700,149	$808,375	$-83,921	$3,691,928

Present Law Mandates

The division is responsible for carrying out duties pertaining to hazardous waste, solid waste, motor vehicle recycling, and underground storage tanks. This includes portions of the Nuclear Regulation laws contained in Title 75, Chapter 3, MCA, the Waste and Litter Control laws contained in Title 75, Chapter 10, MCA, and Underground Storage Tank laws contained in Title 75, Chapter 11, MCA.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $233,386 in FY96 and $242,302 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $361,606 in FY96 and $395,436 in FY97 due to increased contracted services for crushing and removal of junk vehicles, an increase in contracted services for laboratory testing in the Hazardous Waste Program, increased consulting services, legal fees, and lab services for the Underground Storage Tank Program, and an increase in the indirect administrative rate charged to the board. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $22,647 in FY96 and $1,547 in FY97. The board requests funding to replace two combustible gas indicators during FY97 (total $5,000), one laser printer during FY96 ($5,000), two personal computers during FY96 (total $3,600) and four personal computers during FY97 ($6,500), a 4x4 utility vehicle during FY96 ($18,000), two filing systems during FY96 ($2,100), and miscellaneous equipment totaling $3,900 during FY96. The total for the equipment requests is $32,600 in FY96 and $11,500 in FY97.

Grants - The net present law adjustment for grants is $198,244 in FY96 and $169,090 in FY97. The Junk Vehicle Program will increase grants to counties by $36,228 in FY96 and $50,753 in FY97, and the Underground Storage Tanks Program will increase grants by $162,016 in FY96 and $118,337 in FY97.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by 1.00 FTE and additional personal services totalling $83,208 in FY96 and $83,921 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Funding

The division is funded by general fund, state special revenue, and federal special revenue. The state special revenues are Underground Storage Tank Installer Licensing and Permit fees, Hazardous Waste Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) funds (the Hazardous Waste CERCLA account contains 18% of the interest from the resource indemnity trust (RIT) fund, retained interest earnings on this portion of the RIT fund, and damages or settlements collected under CERCLA activity), Underground Leak Prevention Program funds, Solid Waste Management fees, Hazardous Waste fees, and Junk Vehicle Disposal fees. Federal special revenue includes federal Hazardous Waste revenue and Underground Storage Tank funds.

Department of Labor & Industry

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	659.50	.50	-24.00	636.00	.50	-24.00	636.00
Personal Services	19,486,072	1,319,032	-820,864	19,984,240	1,417,874	-826,598	20,077,348
Operating Expenses	7,132,368	1,286,156	367,760	8,786,284	1,254,094	303,665	8,690,127
Equipment	516,632	139,783	2,528	658,943	112,015	-23,512	605,135
Grants	11,621,974	289,668	0	11,911,642	289,668	0	11,911,642
Benefits and Claims	324,412	-42,872	0	281,540	-54,872	0	269,540
Debt Service	2,677	150,129	0	152,806	124,331	0	127,008
Total Agency Costs	**39,084,135**	**$3,141,896**	**$-450,576**	**$41,775,455**	**$3,143,110**	**$-546,445**	**$41,680,800**
General Fund	811,601	39,781	28,272	879,654	28,670	38,931	879,202
State Special Revenue Fund	10,716,285	1,020,245	-222,129	11,514,401	831,526	-340,974	11,206,837
Federal Special Revenue Fund	25,245,364	1,982,480	-22,089	27,205,755	2,184,422	-23,887	27,405,899
Proprietary Fund	2,310,885	99,390	-234,630	2,175,645	98,492	-220,515	2,188,862
Total Funding Costs	**39,084,135**	**$3,141,896**	**$-450,576**	**$41,775,455**	**$3,143,110**	**$-546,445**	**$41,680,800**
Job Service Division	25,705,762	1,129,575	-222,204	26,613,133	1,167,173	-219,758	26,653,177
Unemployment Insurance Div.	5,477,495	848,214	-107,823	6,217,886	858,963	-107,585	6,228,873
Commissioner's Office/csd	1,602,787	106,035	-229,798	1,479,024	104,062	-230,605	1,476,244
Employment Relations Division	4,273,735	808,922	161,438	5,244,095	773,040	63,997	5,110,772
Legal Services Division	1,008,124	106,251	-15,212	1,099,163	97,332	-15,392	1,090,064
Human Rights Commission	666,234	103,010	-4,542	764,702	103,899	-4,667	765,466
Workers Compensation Court	349,998	39,889	-32,435	357,452	38,641	-32,435	356,204
Total Program Costs	**39,084,135**	**$3,141,896**	**$-450,576**	**$41,775,455**	**$3,143,110**	**$-546,445**	**$41,680,800**

MISSION STATEMENT: To promote the well-being and opportunities of Montana's workers and employers and to uphold the rights and responsibilities of both.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	340.35	.00	-12.00	328.35	.00	-12.00	328.35
Personal Services	10,284,957	374,660	-396,288	10,263,329	427,291	-399,618	10,312,630
Operating Expenses	3,567,396	229,801	190,884	3,988,081	213,513	205,260	3,986,169
Equipment	229,712	84,363	-16,800	297,275	111,416	-25,400	315,728
Grants	11,621,974	289,668	0	11,911,642	289,668	0	11,911,642
Debt Service	1,723	151,083	0	152,806	125,285	0	127,008
Total Agency Costs	**25,705,762**	**$1,129,575**	**$-222,204**	**$26,613,133**	**$1,167,173**	**$-219,758**	**$26,653,177**
General Fund	0	0	31,250	31,250	0	42,000	42,000
State Special Revenue Fund	5,981,628	56,623	-356,805	5,681,446	-116,661	-363,524	5,501,443
Federal Special Revenue Fund	19,678,076	1,072,952	103,351	20,854,379	1,283,834	101,766	21,063,676
Proprietary Fund	46,058	0	0	46,058	0	0	46,058
Total Funding Costs	**25,705,762**	**$1,129,575**	**$-222,204**	**$26,613,133**	**$1,167,173**	**$-219,758**	**$26,653,177**

Present Law Mandates

The Job Service Division base program operates under a number of state and federal mandates. The primary state mandate is Title 39, MCA, Montana state labor laws, and federal mandates include the Wagner Peyser Act of 1937 and the Job Training Partnership Act.

Present Law Base

Personal Services - Personal services change reflects the net effect of an increase due to the full impact of the FY95 pay plan, an increase to offset FY94 vacancy savings and increases as the result of fully implemented reorganizations within the department.

Operating Expenses - The increase in the operating budget for the program is the result of a combination of increases in: 1) fixed cost obligations for rent & audits of $34,000; 2) increases in contracted services for special purpose audits, career counseling information and staff assessments of $20,000; 3) continued implementation of computer self-maintenance program of $40,000; 4) a $130,000 cost shifting of postage costs from the federal Department of Labor to states; and 5) implementation of the use of Kiosks (phone lines and call charges) in local Job Service Centers of $33,000.

Equipment - The budget request for equipment reflects the long-term equipment replacement plan. Cost for replacement of computers, related equipment and software will be $179,519 in FY96 and $163,482 in FY97; phone systems, photocopy machines and FAX machines are $109,756 in FY96 and $152,246 in FY97.

Grants - The budget for grants to individuals for job service activities increased over FY94 actual levels by $289,668 each year.

Debt Service - The request of $152,806 in FY96 and $127,008 in FY97 is a shift of budget from operating to debt service of $87,747 plus a funding increase. These amounts are program obligations resulting from bond sales in long-range building activities. The FY96 figure includes approximately $25,800 for final payments toward an old bond, as well as approximately $127,000 for new obligations resulting from the 1993 HB5 legislation. The amount requested for FY97 is all for new obligations, as the old bond will be paid off. The proceeds from the bond sale will be mostly used to fund construction at local Job Service Centers in Great Falls and Butte.

New Proposals

Personal Services Reduction - The Job Service Division is reduced by 13.50 FTE vacant positions for $344,290 in FY96 and $346,692 in FY97, plus vacancy savings of $115,614 in FY96 and $117,721 in FY97. The total is equivalent to 5% of present law base personal services for a total of $459,904 for FY96 and $463,457 in FY97 for the purpose of funding the 1997 biennium pay plan.

New Vehicle Lease - The proposal does not change the number of vehicles operated by state agencies; it merely places responsibility for managing these vehicles with the state motor pool. This new proposal would eliminate the scheduled purchase of replacement vehicles as reflected in the program present law base and replace this amount with the estimated rental charges paid to the motor pool. Gasoline and maintenance costs also are reduced since these items are covered under the motor pool rental rate. This new proposal is contingent upon approval of the associated new proposal contained in the executive budget for the DoT motor pool. The department would lease two vehicles in FY96 and two vehicles in FY97. The net change to the present law base would be a savings of approximately $21,499 in FY96 and $18,250 in FY97.

Montana Community Service Act - This executive proposal moves the Montana Community Service Program from the Governor's Office to the department. The 1.50 FTE and operating budget of $219,949 were established during the 1993 legislative session. The general fund of $31,250 in FY96 and $42,000 in FY97, is to provide state match for the Montana Community Service Act. There is a decrease of a like amount in the Governor's Office.

Equipment - The $8,000 recommended in FY96 represents partitions and built-in desk units to improve the operating efficiencies of the Kalispell Job Service Center.

6602-02 UNEMPLOYMENT INSURANCE DIV.

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	129.40	2.00	-5.40	126.00	2.00	-5.40	126.00
Personal Services	3,809,913	128,890	-148,386	3,790,417	146,704	-149,648	3,806,969
Operating Expenses	1,590,846	618,917	14,775	2,224,538	639,352	14,775	2,244,973
Equipment	76,736	100,407	25,788	202,931	72,907	27,288	176,931
Total Agency Costs	5,477,495	$848,214	$-107,823	$6,217,886	$858,963	$-107,585	$6,228,873
State Special Revenue Fund	447,782	-3,620	0	444,162	11,822	0	459,604
Federal Special Revenue Fund	4,915,755	801,490	-107,823	5,609,422	792,619	-107,585	5,600,789
Proprietary Fund	113,958	50,344	0	164,302	54,522	0	168,480
Total Funding Costs	5,477,495	$848,214	$-107,823	$6,217,886	$858,963	$-107,585	$6,228,873

Present Law Mandates

The Unemployment Insurance Division base program operates under state and federal mandate. The state mandates are primarily Title 18, Chapter 2, MCA, the Prevailing Wage Rate Law, and Title 39, Chapter 51, MCA, Unemployment Insurance. Federal mandates include Public Law 98, the Carl D. Perkins Vocationa Education Act, Public LAW 101, the Immigration Act and Immigration Nursing Relief act, Public Law 97, the Wagner Peyser Act and the Job Training Partnership Act, Public Law 91, the Occupational Safety & Health Act and Titles III & IX, the Social Security Act and Federal

Unemployment Tax.

Present Law Base

Personal Services - Personal services change reflects the net effect of an increase due to the full impact of the FY95 pay plan, an increase to offset FY94 vacancy savings, increases as the result of fully implemented reorganizations within the department, and increases in overtime necessary to fulfill workload requirements.

Operating Expenses - The increase in the operating budget for the program is the result of a combination of an increase in fixed cost obligations, an increase as the result of a shift of postage costs from the federal Department of Labor to states, the cost of a new on-line tax computer system, and for programming enhancements to the Benefit Payment System. Currently postage costs are paid directly by the federal Department of Labor. The Department of Labor has stated that it will shift the costs of postage to states as of October 1, 1995. This means that federal funding for the program will be increased by $265,513 in FY96 (three quarters) and $343,850 in FY97 (four quarters). In FY95 the Contributions Bureau will put on-line a new tax computer system, resulting in increases of $28,406 in FY96 and $23,714 in FY97 for computer processing costs. The new system will provide on-line updates resulting in more timely and accurate responses to employers.

Equipment - The equipment budget reflects the long term equipment replacement plan. The equipment request for the 1997 biennium will allow for the replacement of computers, printers, photocopy machines, FAX machines, office equipment, and the upgrade of computer software programs for $143,590 in FY96 and $132,590 in FY97 and for the replacement of office equipment for $25,553 in FY96 and $14,053 in FY97. The department proposes to use $100,000 of Unemployment Insurance P&I funds for programming enhancements to the Benefit Payment System. A comprehensive study conducted in the spring of 1993 revealed that the system is nearing its capacity. The P&I funds would be used to hire a contractor to bring the system up to recommended standards.

National Conference - The National Bureau of Labor Statistics (BLS) Labor Market Information Directors Conference is to be held in the spring of 1996 (FY96) and it will be funded by a $40,000 one-time special contract from the National Bureau of Labor Statistics.

MCIS Operating - During FY94, the Montana Career Information System (MCIS) was transferred from the Office of the Commissioner of Higher Education to the Department of Labor and Industry, Unemployment Insurance Division. The operating budget is $97,351 in FY96 and $106,343 in FY97.

New Proposals

Personal Services Reduction - The executive proposal identifies a reduction of 5.40 FTE to save of $106,158 in FY96 and $106,687 in FY97 plus additional vacancy savings of $42,228 in FY96 and $42,977 in FY97. The combination is equivalent to 5% of present law base personal services for a total of $148,386 in FY96 and $149,648 in FY97 to be used to fund the 1997 biennium pay plan.

Equipment/UID Operations - This request would allow for the purchase of new FAX machines, pull-out keyboard shelves and a laptop computer. The executive recommendations are $10,788 for FY96 and $12,288 for FY97.

UID/P&I Automation - The department proposes to use $14,775 of P&I funds for a toll-free telephone line to provide better service to employers. Employers would use the toll-free number to obtain registration and to request miscellaneous tax report forms. The line would also be used for inquiry on what/how to report, notices of amounts due and contribution rates.

Equipment/R&A - This request of $15,000 each year would allow for the purchase of new computer equipment in the Research & Analysis Bureau to meet federal requirements and for an anticipated conversion to network based data surveying, analysis and dissemination systems.

6602-03 COMMISSIONER'S OFFICE/CSD

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	43.50	-.50	-6.00	37.00	-.50	-6.00	37.00
Personal Services	1,287,503	133,789	-229,798	1,191,494	140,380	-230,605	1,197,278
Operating Expenses	291,708	-25,262	0	266,446	-24,790	0	266,918
Equipment	23,576	-2,492	0	21,084	-11,528	0	12,048
Total Agency Costs	**1,602,787**	**$106,035**	**$-229,798**	**$1,479,024**	**$104,062**	**$-230,605**	**$1,476,244**
Proprietary Fund	1,602,787	106,035	-229,798	1,479,024	104,062	-230,605	1,476,244
Total Funding Costs	**1,602,787**	**$106,035**	**$-229,798**	**$1,479,024**	**$104,062**	**$-230,605**	**$1,476,244**

Present Law Mandates

The Centralized Services Division base program operates under state mandates, primarily Title 2, Chapters 15 & 18, MCA, and Title 17, MCA, the state finance laws.

Present Law Base

Personal Services - Personal services change reflects the net effect of an increase due to the full impact of the FY95 pay plan and longevity and benefits. The present law base reflects a permanent program transfer during FY94 of .50 FTE from Commissioner's/CSD to the Human Rights Commission program.

Operating Expenses - FY96 and FY97 requests for operating budget are lower than FY94 actual expenditures.

Equipment - Equipment requests for the 1997 biennium are lower than FY94 actual expenditures.

New Proposals

Personal Services Reduction - This executive proposal identifies a reduction of 6.00 FTE. Three of the positions proposed to be eliminated are the deputy commissioner, division administrator and information systems manager. This would result in the reduction of layers of management within the Department, and decision-making being spread to other positions. A reduction of 2.50 FTE results from the closure of the DOLI in-house printing shop, and the remaining 0.50 FTE reduction is the result of the decentralization of programmers. Total proposed reduction is from vacant positions which is equal to $229,798 in FY96 and $230,605 in FY97 and which is to be used for the propose 1997 biennium pay plan.

6602-04 EMPLOYMENT RELATIONS DIVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	102.25	-1.50	.75	101.50	-1.50	.75	101.50
Personal Services	2,635,984	529,942	7,047	3,172,973	545,291	7,017	3,188,292
Operating Expenses	1,178,141	344,985	160,851	1,683,977	311,239	82,380	1,571,760
Equipment	134,244	-22,179	-6,460	105,605	-27,664	-25,400	81,180
Benefits and Claims	324,412	-42,872	0	281,540	-54,872	0	269,540
Debt Service	954	-954	0	0	-954	0	0
Total Agency Costs	**4,273,735**	**$808,922**	**$161,438**	**$5,244,095**	**$773,040**	**$63,997**	**$5,110,772**
General Fund	334,029	-39,871	0	294,158	-51,871	0	282,158
State Special Revenue Fund	3,362,685	866,966	170,875	4,400,526	841,706	58,762	4,263,153
Federal Special Revenue Fund	126,068	50,831	-5,265	171,634	54,546	-5,518	175,096
Proprietary Fund	450,953	-69,004	-4,172	377,777	-71,341	10,753	390,365
Total Funding Costs	**4,273,735**	**$808,922**	**$161,438**	**$5,244,095**	**$773,040**	**$63,997**	**$5,110,772**

Present Law Mandates

The Employment Relations Division base program operates under a number of state mandates. Primarily Titles 18, 37, 39 & 50, MCA, Montana state labor laws and Montana state health & safety laws.

Present Law Base

Personal Services - Personal services change reflects the net effect of an increase due to the full impact of the FY95 pay plan, an increase to offset FY94 vacancy savings and increases as the result of fully implemented reorganizations within the department. Another significant increase was due to the gradual phasing in of new legislation from the 1993 Legislature which resulted in significant new staffing for the program. In addition, an increase in the per diem budget for eight members of the Governor's Worker' Compensation Insurance Advisory Committee is requested.

Operating Expenses - The major increases in the operating budget request are the result of a combination of: 1) fixed costs obligations of approximately $45,000 each year; 2) a recommended increase in consultant and professional services of $26,000 in FY96 and $21,000 in FY97 for customer surveys and production of the "Blue Book"; 3) data processing needs, to allow for the continued automation of program activities, are $40,600 in FY96 and $13,600 in FY97; 4) increases as the result of 1993 legislation of approximately $165,000 each year; 5) and, specifically, the annualization of costs related to phased-in implementation of legislation and for the maintenance of Medical Regulation Utilization and Treatment Standards.

Safety Culture Act - In 1993, the Montana Legislature passed SB163, "The Safety Culture Act," to reduce the incidence of occupational injury and illness by promoting safety in the workplace. The legislation requires the department to promote safety awareness through education and preparation of each student for entrance into the labor market. The department is to produce and distribute materials to Montana schools. During calendar year 1994, and the first part of 1995, the Safety Culture Curriculum Committee developed an outline, gathered materials from other states, and designed the curriculum. FY96 and FY97 will be the years where the curriculum will be finalized, produced and distributed, and the requested budgets to do this are $25,221 for FY96 and $25,422 for FY97.

Equipment - Equipment requests for the 1997 biennium decrease significantly, but reflect the long-term equipment replacement plan. This request will allow for the replacement of: 1) computers and related equipment of $90,670 in FY96 and $67,600 in FY97; 2) safety equipment for $5,395 in FY96 and $2,995 in FY97; and 3) a microfiche reader/printer in FY97 of $10,585.

Benefits and Claims - The general fund budget for Silicosis and Social Security benefits to individuals has decreased by $42,872 in FY96 and $54,872 in FY97 due to a diminishing pool of recipients.

Debt Service - The purchase contract was completed in the 1995 biennium, resulting in a decrease of $954.

New Proposals

Personal Services Reduction - This executive proposal identifies a reduction of 4.25 FTE. The elimination of these positions may reslut in less timely claims processing, although due to automation, some of the positions may have been redefined and/or eliminated anyway. Total proposed reduction from vacant positions and vacancy savings is $140,847 in FY96 and $141,835 in FY97 for the purpose of funding the 1997 biennium pay plan.

New Vehicle Lease - This executive proposal does not change the number of vehicles operated by state agencies; it merely places responsibility for managing these vehicles with the state motor pool. This proposal would eliminate the scheduled purchase of replacement vehicles as reflected in the present law base and replace this amount with the estimated rental charges paid to the motor pool. Gasoline and maintenance costs also are reduced since these items are covered under the motor pool rental rate. This new proposal is contingent upon approval of the associated new proposal contained in the executive budget for the DoT motor pool. The department would lease one vehicle in FY96 and two vehicles in FY97; the net would be approximately $12,912 in FY96 and $13,673 in FY97.

Workers' Compensation Database - The increase in personal services and operating expenses is due to new staffing required for the operation of the Workers' Compensation Management Information System mandated by the 1993 Legislature in HB511. HB2 contained the appropriation authority for the development of the new system. This proposal represents the completion of the development stage and ongoing operation of the system during the 1997 biennium.

Independent Contractors - The department has proposed legislation that will effect this request for 1.00 FTE costing $42,547 in FY96 and $37,307 in FY97 to process the increased number of applications from individuals seeking exemptions from Workers' Compensation coverage by qualifying as independent contractors. If the proposed legislation is passed, the additional FTE will not be needed.

SIF Actuarial Analysis - A one-time request for an independent actuarial study to be conducted for the subsequent injury fund to determine fund soundness will increase operating costs by $15,000 in FY97.

6602-06 LEGAL SERVICES DIVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	22.00	.00	-.35	21.65	.00	-.35	21.65
Personal Services	756,501	46,825	-15,212	788,114	50,666	-15,392	791,775
Operating Expenses	227,008	64,041	0	291,049	64,081	0	291,089
Equipment	24,615	-4,615	0	20,000	-17,415	0	7,200
Total Agency Costs	**1,008,124**	**$106,251**	**$-15,212**	**$1,099,163**	**$97,332**	**$-15,392**	**$1,090,064**
State Special Revenue Fund	574,192	58,387	-3,764	628,815	54,018	-3,777	624,433
Federal Special Revenue Fund	336,803	35,849	-10,788	361,864	32,065	-10,952	357,916
Proprietary Fund	97,129	12,015	-660	108,484	11,249	-663	107,715
Total Funding Costs	**1,008,124**	**$106,251**	**$-15,212**	**$1,099,163**	**$97,332**	**$-15,392**	**$1,090,064**

Present Law Mandates

The Legal Services Division operates under a number of state and federal mandates. State mandates primarily include Titles 39 & 50, MCA, Montana state labor laws and Montana state health & safety laws. Federal mandates include federal labor laws and federal health and safety laws.

Present Law Base

Personal Services - Personal services change reflects the net effect of an increase due to the full impact of the FY95 pay plan, an increase to offset FY94 vacancy savings, a slight increase in overtime due to workload requirements, and an increase in the per diem budget to allow members of the Board of Labor Appeals to travel.

Operating Expenses - The increase in the operating budget for the program is the result of a combination of an increase in: 1) fixed cost obligations $12,000; 2) contracted services for peak workload periods $17,500; 3) contracts with the Attorney General's office to alleviate conflict of interest situations $5,000; 4) replacement of recording equipment and purchase of recording tapes $3,500; and 5) the shift of postage costs from the federal Department of Labor to states $5,000.

Court Reporters - This proposal reflects an increase in contracted services of $18,900 each year due to the need to hire court reporters to record and transcribe wage claim, workers' compensation and collective bargaining hearings. This need is the result of parties requesting court reporter transcription in lieu of telephone hearings, the need for more accurate transcripts and an increase in the number of disputes.

Equipment - Requests for equipment for the 1997 biennium are lower than FY94 actual expenditures.

New Proposals

Personal Services Reduction - This executive proposal identifies a reduction of 4.25 FTE. The elimination of these positions may result in less timely claims processing, although, due to automation, some of the positions may have been redefined and/or eliminated anyway. Total proposed reduction from vacant positions and vacancy savings is $140,847 in FY96 and $141,835 in FY97 for the purpose of funding the 1997 biennium pay plan.

New Vehicle Lease - This executive proposal does not change the number of vehicles operated by

state agencies; it merely places responsibility for managing these vehicles with the state motor pool. This proposal would eliminate the scheduled purchase of replacement vehicles as reflected in the present law base and replace this amount with the estimated rental charges paid to the motor pool. Gasoline and maintenance costs also are reduced since these items are covered under the motor pool rental rate. This new proposal is contingent upon approval of the associated new proposal contained in the executive budget for the DoT motor pool. The department would lease one vehicle in FY96 and two vehicles in FY97; the net savings would be approximately $12,912 in FY96 and $13,673 in FY97.

Workers' Compensation Database - The increase in personal services and operating expenses is due to new staffing required for operation of the Workers' Compensation Management Information System mandated by the 1993 Legislature in HB511. HB2 contained the appropriation authority for the development of the new system. This proposal represents the completion of the development stage and ongoing operation of the system during the 1997 biennium.

Independent Contractors - The department has proposed legislation that will effect this request for FTE 1.00 costing $42,547 in FY96 and $37,307 in FY97 to process the increased number of applications from individuals seeking exemptions from Workers' Compensation coverage by qualifying as independent contractors. If the proposed legislation is passed, the additional FTE will not be needed.

SIF Actuarial Analysis - A one-time request for an independent actuarial study to be conducted for the subsequent injury fund to determine fund soundness will increase operating costs by $15,000 in FY97.

6602-08 HUMAN RIGHTS COMMISSION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	15.00	.50	.00	15.50	.50	.00	15.50
Personal Services	477,556	64,311	-5,792	536,075	66,927	-5,917	538,566
Operating Expenses	169,042	46,287	1,250	216,579	44,560	1,250	214,852
Equipment	19,636	-7,588	0	12,048	-7,588	0	12,048
Total Agency Costs	**666,234**	**$103,010**	**$-4,542**	**$764,702**	**$103,899**	**$-4,667**	**$765,466**
General Fund	477,572	79,652	-2,978	554,246	80,541	-3,069	555,044
State Special Revenue Fund	0	2,000	0	2,000	2,000	0	2,000
Federal Special Revenue Fund	188,662	21,358	-1,564	208,456	21,358	-1,598	208,422
Total Funding Costs	**666,234**	**$103,010**	**$-4,542**	**$764,702**	**$103,899**	**$-4,667**	**$765,466**

Present Law Mandates

The Human Rights Commission operates under state and federal mandates. State mandates include primarily Title 49, Chapters 2 & 3, MCA, the Montana Human Rights Act and the Code of Fair Practices. Federal mandates include the Civil Rights Act of 1964 and the Fair Housing Act.

Present Law Base

Personal Services - Personal services change reflects the net effect of an increase due to the full impact of the FY95 pay plan, an increase to offset FY94 vacancy savings, increases as the result of fully implemented reorganizations within the department and an increase in the per diem budget for the statutorily-created Human Rights Commission.

Operating Expenses - The increase in operating expenses results from annualizing operational costs for moving two current level positions from departmental administration to the Human Rights Commission. These staff were moved in March of 1994 in order to provide additional service to the public through the commission, thereby increasing operating costs by $5,300 each year. An increase of $4,000 (100% federal) to allow for federally-required training sessions for staff; increases in fixed costs of $9,000; an increase in the budget for legal fees and court costs of $7,400 for contracts with outside counsel, usually the Attorney General's Office, to avoid conflicts of interest; and a $20,800 increase in rent obligations resulting from the Human Rights Commission relocating its office to a non-DoA facility.

Equipment - The 1997 biennium equipment requests are lower than FY94 actual expenditures by $7,538 each year.

New Proposals

Personal Services Reduction - This executive proposal identifies a reduction of $5,792 in FY96 and $5,917 in FY97 in the personal services budget to be achieved through vacancy savings in order to provide for the 1997 biennium pay plan.

Martin Luther King, Jr. Advisory Council - This executive proposal adds $1,250 general fund each year of the 1997 biennium for travel expenses for the Martin Luther King, Jr. Advisory Council. The advisory council was created by Executive Order.

6602-09 WORKERS COMPENSATION COURT

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	7.00	.00	-1.00	6.00	.00	-1.00	6.00
Personal Services	233,658	40,615	-32,435	241,838	40,615	-32,435	241,838
Operating Expenses	108,227	7,387	0	115,614	6,139	0	114,366
Equipment	8,113	-8,113	0	0	-8,113	0	0
Total Agency Costs	**349,998**	**$39,889**	**$-32,435**	**$357,452**	**$38,641**	**$-32,435**	**$356,204**
State Special Revenue Fund	349,998	39,889	-32,435	357,452	38,641	-32,435	356,204
Total Funding Costs	**349,998**	**$39,889**	**$-32,435**	**$357,452**	**$38,641**	**$-32,435**	**$356,204**

Present Law Mandates

The Workers' Compensation Court operates under state mandate, primarily Title 39, MCA, Montana's labor laws dealing with the Workers' Compensation Act and Occupational Disease Act.

Present Law Base

Personal Services - Base adjustments reflects the net effect of the FY95 pay plan and an increase to offset FY94 vacancy savings. Overtime and termination pay for law clerks are included as base adjustments. Law clerks routinely work for one year and earn overtime pay as a result of statewide travel with the judge to attend trials.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $7,387 in FY96 and $6,139 in FY97 as a result of the fixed costs adjustments, inflation/deflation and funds to enable the court to contract with hearing examiners in those cases wherein the Judge must recuse himself, and an increase in travel expenses is budgeted because FY94 actual expenditures were low as a result of the transition to a new judge.

New Proposals

Personal Services Reduction - This executive proposal identifies a reduction of 1.00 FTE hearing examiner position. Some of the savings as the result of the reduction of this position are being used to fund a consulting services budget for those cases in which the Judge must recuse himself. The total proposed reduction from the personal services budget for departmental compliance with the 5% personal services target is $32,435 in both FY96 and FY97 in order to fund the proposed pay plan.

Department of Social & Rehabilitation Services

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	944.45	45.50	-14.00	975.95	45.50	-14.00	975.95
Personal Services	28,255,356	2,320,586	-1,492,296	29,083,646	2,471,214	-1,501,950	29,224,620
Operating Expenses	26,118,094	122,918	3,976,468	30,217,480	318,773	5,862,451	32,299,318
Equipment	772,937	-106,138	132,499	799,298	-266,509	136,446	642,874
Grants	28,727	-1,791	0	26,936	-1,791	0	26,936
Benefits and Claims	409,276,545	61,239,432	11,728,427	482,244,404	97,190,402	19,945,067	526,412,014
Transfers	2,953,560	602,599	400,000	3,956,159	693,889	400,000	4,047,449
Debt Service	150,804	-140,426	0	10,378	-140,426	0	10,378
Total Agency Costs	**467,556,023**	**$64,037,180**	**$14,745,098**	**$546,338,301**	**$100,265,552**	**$24,842,014**	**$592,663,589**
General Fund	112,298,413	20,306,385	1,329,079	133,933,877	33,992,410	3,169,570	149,460,393
State Special Revenue Fund	18,452,458	3,732,338	1,513,290	23,698,086	3,973,728	2,841,610	25,267,796
Federal Special Revenue Fund	336,805,152	39,998,457	11,902,729	388,706,338	62,299,414	18,830,834	417,935,400
Total Funding Costs	**467,556,023**	**$64,037,180**	**$14,745,098**	**$546,338,301**	**$100,265,552**	**$24,842,014**	**$592,663,589**
Family Assistance	73,162,181	2,049,028	5,382,832	80,594,041	1,860,525	9,262,041	84,284,747
Eligibility Determination Pgm	5,537,227	39,632	-256,636	5,320,223	66,738	-224,601	5,379,364
Director's Office	654,334	39,306	-61,949	631,691	42,739	-62,178	634,895
Child Support Enforcement	5,543,330	1,941,163	285,310	7,769,803	1,992,253	1,026,436	8,562,019
State Assumed County Admin.	6,533,419	268,831	-258,232	6,544,018	319,373	-176,720	6,676,072
Medicaid Services	306,001,875	54,435,128	3,882,592	364,319,595	89,226,861	7,149,381	402,378,117
Tdd Program	513,811	167,053	-4,806	676,058	226,163	-4,826	735,148
Operations & Technology Divisi	16,240,485	-1,170,472	566,228	15,636,241	-1,252,637	770,410	15,758,258
Vocational Rehabilitation Pgm	9,823,075	417,852	1,127,481	11,368,408	613,629	1,126,530	11,563,234
Disability Determination Pgm	2,937,786	352,921	-63,520	3,227,187	448,276	-63,865	3,322,197
Visual Services Prgm	1,431,083	99,612	-28,345	1,502,350	121,167	-28,578	1,523,672
Developmental Disab Program	38,822,358	5,331,710	4,177,882	48,331,950	6,535,049	6,071,723	51,429,130
Develope Disab Advis Council	355,059	65,416	-3,739	416,736	65,416	-3,739	416,736
Total Program Costs	**467,556,023**	**$64,037,180**	**$14,745,098**	**$546,338,301**	**$100,265,552**	**$24,842,014**	**$592,663,589**

MISSION STATEMENT: "Working Together to Empower Montanans" through administration of a broad range of human service programs to increase self-sufficiency, independence and dignity for those individuals requiring assistance.

6901-01 FAMILY ASSISTANCE

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	41.80	.00	.00	41.80	.00	.00	41.80
Personal Services	1,417,195	110,993	-40,560	1,487,628	118,816	-41,877	1,494,134
Operating Expenses	2,233,940	650,984	773,732	3,658,656	585,665	1,474,350	4,293,955
Equipment	119,996	10,404	4,600	135,000	-84,596	4,600	40,000
Benefits and Claims	68,402,557	1,099,777	4,645,060	74,147,394	1,063,770	7,824,968	77,291,295
Transfers	976,684	178,301	0	1,154,985	178,301	0	1,154,985
Debt Service	11,809	-1,431	0	10,378	-1,431	0	10,378
Total Agency Costs	**73,162,181**	**$2,049,028**	**$5,382,832**	**$80,594,041**	**$1,860,525**	**$9,262,041**	**$84,284,747**
General Fund	16,031,775	1,218,190	1,277,571	18,527,536	1,554,108	2,648,290	20,234,173
State Special Revenue Fund	953,191	-45,208	482,694	1,390,677	-45,208	474,459	1,382,442
Federal Special Revenue Fund	56,177,215	876,046	3,622,567	60,675,828	351,625	6,139,292	62,668,132
Total Funding Costs	**73,162,181**	**$2,049,028**	**$5,382,832**	**$80,594,041**	**$1,860,525**	**$9,262,041**	**$84,284,747**

Present Law Mandates

The division administers and supervises public assistance, including the provision of food stamps, food commodities, aid to families with dependent children, energy assistance, and weatherization for eligible recipients. These services are commonly referred to as welfare. The welfare program operates with funding from counties, the state, and from the federal government. Welfare activities are authorized in 42 U.S.C. 600, 7 U.S.C. 2011-2029, 42 U.S.C. 9901, 42 U.S.C. 6861, 40 U.S.C. 8621, and Title 53, Chapter 2, section 201, MCA.

Present Law Base

Personal Services - Base adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $110,993 in FY96 and $118,816 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expense increased $650,984 in FY96 and $585,665 in FY97 primarily due to increases in contracted services. The department proposes to contract for expertise in automating functions which are currently performed manually, training for eligibility staff, increased federal food commodities, and additional contracted services staff necessary to keep up with the increasing workload (in lieu of adding FTE). The remaining operating expense changes are a result of the fixed costs adjustments and inflation/deflation.

Equipment - The department requests $35,400 in FY96 and $35,400 in FY97 for replacement of computers and printers. The department also requests $95,000 in FY96 for replacement of a commodity tractor/trailer. The tractor/trailer is 100% federal funds, and the computers and printers are 50% general fund and 50% federal funds. The net increased base adjustment for equipment requests for FY96 is $10,404, and the net decrease base adjustment in FY97 for equipment requests is $84,596.

Benefits and Claims - The proposed benefits and claims base adjustment is $1,099,777 in FY96 and $1,063,770 in FY97. This includes an increase of $39,594 each year of the biennium for Food Stamp Outreach, an increase in the Community Services Block Grant (CSBG) of $413,723 each year of the biennium, a decrease in the weatherization grant award of $314,216 each year of the biennium, an increase in the Low Income Energy Assistance Program (LIEAP) grant of $96,908 each year of the biennium, an increase in the estimate for Emergency AFDC benefits of $59,139 each year of the biennium, a 1.5% provider rate increase and estimated increase in the Day Care Program totaling $312,918 in FY96 and $265,661 in FY97, an increase in the Food Stamp Job Search

Program of $131,087 each year of the biennium, an increase in the JOBS Program estimate of $176,877 in FY96 and $188,127 in FY97, and an increase in the estimated Homeless-Emergency Shelter Grants of $188,376 each year of the biennium. All grants are 100% federal funds and the department requests authority in the amount of the estimated grants. Emergency AFDC, Day Care, JOBS, and Food Stamp Job Search are requested to be funded at the FY94 appropriated level, which was higher than the FY94 actual expenditures.

Transfers - Transfer present law adjustments total $178,301 for both FY96 and FY97. The transfers include funds for the Food Stamp Outreach Aging Program operated in the Department of Family Services (DFS), Job Search contracts operated with the Department of Labor and Industry (DOLI), and JOBS skill development and ABE services provided by DOLI and the Office of Public Instruction (OPI).

Debt Service - A negative present law adjustment of $1,431 each year of the biennium is shown. This adjustment is the difference between the proposed expenditures of $10,378 each year of the biennium and the base year expenditure of $11,809 in installment contract principle and interest for a network server.

New Proposals

Personal Services Reduction - The personal services budget for the division is reduced by $40,560 in FY96 and $41,877 in FY97. This represents slightly less than a 5% vacancy savings rate imposed on the division. (The director's office eliminated one position, which exceeded its 5% vacancy savings target. The amount of personal services funding exceeding 5% eliminated in the director's office has been added to this program. Total department personal services reductions equal 5%.) The funds saved under this reduction will be used to pay for the proposed 1997 biennium pay plan.

R & R Training/JOBS Child Care - A crucial aspect of becoming self sufficient is for welfare recipients to have adequate child care. Child care resource and referral agencies provide a vital service, arranging for child care for JOBS participants, and to date have done so without payment from the department. If the resource and referral agencies do not begin receiving payment for their services, they have indicated they may not continue providing them. The department proposes to reimburse the resource and referral agencies by using private funds to match federal funds for reimbursement. This request is for $40,000 state special revenue authority and $80,000 federal revenue authority each year of the biennium for this reimbursement to the resource and referral child care agencies.

Welfare Reform - AFDC Caseload Increase - The department has prepared a proposal to reform the welfare system in the state of Montana. The focus of the reform will be to change the orientation of the welfare office from a "check writing office" to a clearing house for job training, day care assistance, and a general source of help to allow welfare recipients to acquire the tools they need to become and remain self sufficient. The proposal is comprehensive and includes initiatives which impact the Medicaid Division and the Child Support Enforcement Division within the department. The proposal requires several waivers from the federal government before the state can implement welfare reform. The welfare reform proposal contains changes regarding the duration of benefit payments (e.g., time-limited benefits) and establishing community service programs requiring work for those receiving benefits to continue receiving them. Before time-limited benefits take effect, the department estimates that the average number of AFDC cases will increase, as will the average payment for each case. (Even though the state will continue to pay an AFDC benefit based on 40.5% of the federal poverty rate, the federal poverty rate is recalculated each year and is expected to increase during FY96 and FY97.) The department estimates that an additional $902,542 in FY96 and $887,500 in FY97 total funds will be needed to pay for these increases to AFDC under the welfare reform proposal.

Welfare Reform - Child Care Increase - Under welfare reform, all able-bodied adult AFDC recipients

will be required to participate in employment and training activities in order to continue benefits. The department anticipates this will have a significant impact on the need for state paid child care. The department requests an additional $450,000 in FY96 and $2,200,000 in FY97 to pay for increased child care. The request phases-in the child care increase to coincide with implementation of welfare reform.

AFDC Caseload Inflation - This proposal addresses estimated increases in caseload and average payment for cases under current AFDC program guidelines (i.e., in lieu of welfare reform). The executive requests a total funds increase of $2,257,049 in FY96 and $3,705,575 in FY97 to cover expected increases in caseload and payment levels.

Child Care Provider Rate Increase - The executive proposes to fund a provider rate increase for day care services. The total funds proposed here are $75,757 in FY96 and $72,181 in FY97. The federal Child Care Development Block Grant (CCDBG) indicates that providers should be paid at the 75th percentile of the market rate for day care services. In the present law base adjustment for day care services, an increase of 1.5% is included, consistent with all other providers. The additional increase in this proposal, which is a "good faith" effort to reach the 75th percentile represents a $.50 per day increase in rates for day care services purchased by the department. The increase in the present law base and in this proposal may be applied prorata to individual rates by department, in order to approach equity and achieve the goal of the 75th percentile.

JOBS Benefits - The department requests $235,119 state special revenue and $604,593 federal special revenue each year of the biennium. The purpose is to maximize funding available for the Job Opportunities Basic Skills (JOBS) program by securing private donations and other non-general fund sources to leverage federal funds.

Welfare Reform - Administrative Costs - The department requests $773,732 in FY96 and $1,474,350 in FY97 to provide for additional administrative costs due to implementation of welfare reform. The request includes $389,631 in FY96 and $1,322,749 in FY97 for additional contracted staff to keep up with case management workload increases due to welfare reform. Additional staff will be contracted rather than adding FTE. Also included is $320,000 in FY96 and $50,000 in FY97 for an ongoing study to be performed by U of M evaluating the cost-neutrality of welfare reform. One of the conditions for securing the welfare reform federal waivers is that the proposal be cost-neutral to the federal government. Additional funds are requested for training materials development and distribution, worker's compensation coverage for recipients enrolled in the Community Services Program, travel associated with training local staff at a half-dozen hub sites prior to regional implementation, an increase in rent for additional office space, and a consultation and concurrence contract with the AFL-CIO.

Welfare Reform - Equipment - The department also requests funding for two additional computers each year of the biennium related to increased workload under welfare reform. The total cost is $4,600 each year of the biennium.

Funding

The division is funded by a variety of sources. General fund accounts for $18,527,536 in FY96 and $20,234,173 in FY97 of the total division budget. State special revenue funds are primarily county welfare reimbursement with some private donations and total $1,390,677 in FY96 and $1,382,442 in FY97. The remaining funding sources are federal funds, comprised of Commodities, Low Income Home Weatherization, Low Income Family Fuel Assistance, Title IV-A (AFDC), JOBS, Food Stamp Job Search, Emergency Services to Homeless Individuals and Families, Title XIX, and Part IV-F funds. They total $60,675,828 in FY96 and $62,668,132 in FY97.

6901-03 ELIGIBILITY DETERMINATION PGM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	191.55	.00	-3.00	188.55	.00	-3.00	188.55
Personal Services	5,371,214	28,821	-270,002	5,130,033	55,924	-272,265	5,154,873
Operating Expenses	156,000	20,824	7,500	184,324	20,827	30,000	206,827
Equipment	5,600	-5,600	5,866	5,866	-5,600	17,664	17,664
Debt Service	4,413	-4,413	0	0	-4,413	0	0
Total Agency Costs	**5,537,227**	**$39,632**	**$-256,636**	**$5,320,223**	**$66,738**	**$-224,601**	**$5,379,364**
State Special Revenue Fund	2,720,244	68,185	-128,318	2,660,111	81,738	-112,301	2,689,681
Federal Special Revenue Fund	2,816,983	-28,553	-128,318	2,660,112	-15,000	-112,300	2,689,683
Total Funding Costs	**5,537,227**	**$39,632**	**$-256,636**	**$5,320,223**	**$66,738**	**$-224,601**	**$5,379,364**

Present Law Mandates

The department is responsible for overseeing activities of county welfare departments, which provide eligibility determination for the non-assumed county welfare programs. Public assistance is provided for in Title 53, Chapter 2, section 201, MCA.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $28,821 in FY96 and $55,924 in FY97.
Inflation/Deflation & Fixed Costs - Net operating expenses increase $20,824 in FY96 and $20,827 in FY97 primarily due to a change in Family Assistance Division policy which requires county departments of human services to purchase the necessary forms for doing business. The remaining operating expense changes are a result of the fixed costs adjustments and inflation/deflation.
Equipment - There is no request for equipment in the present law base for FY96 or FY97. There is a negative present law adjustment of $5,600 each year of the biennium as a result.
Debt Service - A negative present law adjustment of $4,413 each year of the biennium is shown. This is due to no debt service being budgeted in FY96 and FY97, compared to the base year expenditure of $4,413 for debt service.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by 3.00 FTE and additional personal services funding totaling $270,002 in FY96 and $272,265 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed 1997 biennium pay plan.

Welfare Reform - Non-assumed Counties Workload Increase - As a result of welfare reform, the department requests $7,500 in FY96 and $30,000 in FY97 for increased travel for eligibility staff receiving Families Achieving Independence in Montana (FAIM) training. The department also requests $5,866 in FY96 and $17,664 in FY97 for office equipment (desks, chairs, calculators, etc.) for the contracted welfare reform specialists staff.

Funding

The division is funded by state special revenue and federal funds. State special revenue funds are county welfare reimbursement totaling $2,660,111 in FY96 and $2,689,681 in FY97. The remaining funding sources are federal funds, such as Title IV-A (AFDC), Title IV-F (JOBS), Emergency Services to Homeless Individuals and Families, and Title XIX. They total $2,660,112 in FY96 and $2,689,683 in FY97.

6901-04 DIRECTOR'S OFFICE

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	14.50	.00	-1.00	13.50	.00	-1.00	13.50
Personal Services	520,392	51,377	-61,949	509,820	53,952	-62,178	512,166
Operating Expenses	121,124	-11,253	0	109,871	-10,395	0	110,729
Equipment	7,251	4,749	0	12,000	4,749	0	12,000
Debt Service	5,567	-5,567	0	0	-5,567	0	0
Total Agency Costs	**654,334**	**$39,306**	**$-61,949**	**$631,691**	**$42,739**	**$-62,178**	**$634,895**
General Fund	229,624	13,774	-21,738	221,660	14,979	-21,818	222,785
State Special Revenue Fund	71,970	4,331	-6,815	69,486	4,708	-6,840	69,838
Federal Special Revenue Fund	352,740	21,201	-33,396	340,545	23,052	-33,520	342,272
Total Funding Costs	**654,334**	**$39,306**	**$-61,949**	**$631,691**	**$42,739**	**$-62,178**	**$634,895**

Present Law Mandates

The director of the department is appointed by the Governor as provided in Article VI, section 6, Mont. Const.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $51,377 in FY96 and $53,952 in FY97.
Inflation/Deflation & Fixed Costs - Net operating expenses decrease $11,253 in FY96 and $10,395 in FY97 primarily due to reductions in fixed costs. The remaining operating expense changes are a result of inflation/deflation.
Equipment - The department proposes to replace six personal computers, at a total cost of $12,000 per year, during the biennium. The net present law adjustment is $4,749 each year of the biennium.
Debt Service - A negative present law adjustment of $5,567 each year of the biennium is shown. This is due to no debt service being budgeted in FY96 and FY97, compared to the base year expenditure of $5,567 for debt service.

New Proposals

Personal Services Reduction - The personal services budget for the director's office is reduced by 1.00 FTE (eliminating the deputy director position), totaling $61,949 in FY96 and $62,178 in FY97. This represents a 10.8% vacancy savings rate imposed on the director's office. The amount exceeding the 5% personal services reduction has been added into the personal services for the Family Assistance Division. The funds saved under this reduction will be used to pay for the proposed 1997 biennium pay plan.

Funding

The director's office is funded according to a cost allocation plan. General fund pays 35.09%, county reimbursement pays 7.27%, handicapped telecommunications pays 0.21%, child support state share pays 3.52%, and federal funds pay 53.91% of the total costs for the director's office.

6901-05 CHILD SUPPORT ENFORCEMENT

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	162.25	12.00	-7.00	167.25	12.00	-7.00	167.25
Personal Services	4,100,228	1,069,970	-258,510	4,911,688	1,092,609	-260,434	4,932,403
Operating Expenses	1,354,184	857,324	431,782	2,643,290	881,324	1,201,412	3,436,920
Equipment	88,228	14,559	112,038	214,825	19,010	85,458	192,696
Debt Service	690	-690	0	0	-690	0	0
Total Agency Costs	**5,543,330**	**$1,941,163**	**$285,310**	**$7,769,803**	**$1,992,253**	**$1,026,436**	**$8,562,019**
General Fund	0	0	184,900	184,900	0	437,536	437,536
State Special Revenue Fund	1,854,313	666,110	-87,894	2,432,529	682,080	-88,548	2,447,845
Federal Special Revenue Fund	3,689,017	1,275,053	188,304	5,152,374	1,310,173	677,448	5,676,638
Total Funding Costs	**5,543,330**	**$1,941,163**	**$285,310**	**$7,769,803**	**$1,992,253**	**$1,026,436**	**$8,562,019**

Present Law Mandates

Activities within this division are mandated by the federal government in accordance with Title IV-D of the 1988 Social Security Act, and 45 CFR, Chapter 3.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $1,069,970 in FY96 and $1,092,609 in FY97.
Inflation/Deflation & Fixed Costs - Net operating expenses increase $857,324 in FY96 and $881,324 in FY97 primarily due to increases in contracted services for hearings officers, potential Native American cooperative agreements for child support enforcement activities, paternity establishment, and an electronic Parent Locate Network to interface with child support databases in other states. Also included are an increase for installing new 56K phone lines to improve computer response time to regional offices and fee increases for the department to use federal child support enforcement and locate databases. The remaining operating expense changes are a result of fixed costs and inflation/deflation.
Equipment - The net present law adjustment is $14,559 for FY96 and $19,010 for FY97 to replace computer equipment and office equipment within the division. The division currently has 176 FTE, and this equipment is on a replacement schedule of six-years for electronic equipment and ten years for non-electronic equipment. The department requests $102,787 in FY96 and $107,238 in FY97 to replace two photocopiers, 60 computer workstations, two video monitors, two VCRs, four laser printers, 60 calculators, 60 software packages (upgrading existing software), 60 phones, 36 desks, 36 chairs and 36 bookcases. Half of these items will be purchased in FY96 and half in FY97.
Debt Service - A negative present law adjustment of $690 each year of the biennium is shown. This is due to no debt service being budgeted in FY96 and FY97, compared to the base year expenditure of $690 for debt service.

New Proposals

Personal Services Reduction - The personal services budget for the division is reduced 7.00 FTE for a total reduction of $258,510 in FY96 and $260,434 in FY97. This represents a 5% vacancy savings rate imposed on the division. The funds saved under this reduction will be used to pay for the proposed pay plan.

Welfare Reform - Workload Increase - The executive proposes to contract for services to reduce investigator's workload by 25% to free up staff time to work welfare reform cases. The contracted services are in lieu of requesting additional FTE to cover the increased workload. The amount requested is $431,782 in FY96 and $1,201,412 in FY97, to correspond with the planned phase-in of welfare reform.

Welfare Reform - Equipment - The department requests $112,038 in FY96 and $85,458 in FY97. These funds were originally proposed to purchase equipment for additional staff assigned to perform Welfare Reform workload reduction tasks. In the current proposal for Welfare Reform - Workload Increase, the work will be performed instead by contracted services staff who will be provided with equipment by their employer. The department will move the funds in this proposal into contracted services to pay for the additional contract costs.

Funding

The division is funded from three sources: general fund, child support enforcement state share special revenue, and federal revenue. General fund pays for a portion of the two welfare reform new proposals. Total general fund is $184,900 in FY96 and $437,536 in FY97. The state special revenue collected from child support enforcement activities pays for the non-federal portion of all other division activities and excess reverts to the general fund. A balance not to exceed $500,000 can remain in the child support state share account to act as seed money to support division activities. Total child support state share funds for the division are $2,432,529 in FY96 and $2,447,845 in FY97. The federal share of the program is $5,152,374 in FY96 and $5,676,638 in FY97.

6901-06 STATE ASSUMED COUNTY ADMIN.

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	198.35	.00	.00	198.35	.00	.00	198.35
Personal Services	5,421,281	205,185	-281,323	5,345,143	232,450	-283,642	5,370,089
Operating Expenses	1,084,597	61,187	16,685	1,162,469	84,464	95,198	1,264,259
Equipment	23,525	6,475	6,406	36,406	6,475	11,724	41,724
Debt Service	4,016	-4,016	0	0	-4,016	0	0
Total Agency Costs	**6,533,419**	**$268,831**	**$-258,232**	**$6,544,018**	**$319,373**	**$-176,720**	**$6,676,072**
General Fund	3,226,856	174,269	-129,116	3,272,009	199,540	-88,360	3,338,036
Federal Special Revenue Fund	3,306,563	94,562	-129,116	3,272,009	119,833	-88,360	3,338,036
Total Funding Costs	**6,533,419**	**$268,831**	**$-258,232**	**$6,544,018**	**$319,373**	**$-176,720**	**$6,676,072**

Present Law Mandates
State assumption of county public assistance programs is provided for in Title 53, Chapter 2, part 8, MCA.

Present Law Base
Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $205,185 in FY96 and $232,450 in FY97.
Inflation/Deflation & Fixed Costs - Net operating expenses increase $61,187 in FY96 and $84,464 in FY97 primarily due to increases in costs for food stamp issuances, replacement of office furniture, and increases in postage and mailing charges. The remaining operating expense changes are a result of fixed costs and inflation/deflation.
Equipment - The net present law adjustment is $6,475 each year of the biennium. The department proposes to spend $30,000 each year of the biennium to replace computers in county offices. These machines are beginning to fail at a rapid rate.
Debt Service - A negative present law adjustment of $4,016 each year of the biennium is shown. This is due to no debt service being budgeted in FY96 and FY97, compared to the base year expenditure of $4,016 for debt service.

New Proposals
Personal Services Reduction - The personal services budget for the program is reduced by $281,323 in FY96 and $283,642 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Welfare Reform - State Assumed Counties Workload Increase - The department requests additional supplies, travel funds, office space and equipment for contracted welfare reform specialists. The total funds cost is estimated to be $23,091 in FY96 and $106,922 in FY97, to reflect the phase-in of welfare reform.

Funding
The program is funded by 50% general fund and 50% federal special revenue. Total funding is $6,544,018 in FY96 and $6,676,072 in FY97.

6901-07 MEDICAID SERVICES

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	63.50	.00	1.00	64.50	.00	1.00	64.50
Personal Services	2,013,844	250,724	-79,371	2,185,197	263,098	-80,271	2,196,671
Operating Expenses	5,297,372	-664,565	2,376,733	7,009,540	-565,372	2,517,203	7,249,203
Equipment	347,591	-288,791	3,589	62,389	-301,591	17,000	63,000
Benefits and Claims	296,610,440	54,679,351	1,581,641	352,871,432	89,281,027	4,695,449	390,586,916
Transfers	1,731,337	459,700	0	2,191,037	550,990	0	2,282,327
Debt Service	1,291	-1,291	0	0	-1,291	0	0
Total Agency Costs	**306,001,875**	**$54,435,128**	**$3,882,592**	**$364,319,595**	**$89,226,861**	**$7,149,381**	**$402,378,117**
General Fund	68,521,944	16,900,240	-1,354,248	84,067,936	29,576,314	-1,570,198	96,528,060
State Special Revenue Fund	11,077,740	2,427,103	1,404,368	14,909,211	2,588,061	2,689,394	16,355,195
Federal Special Revenue Fund	226,402,191	35,107,785	3,832,472	265,342,448	57,062,486	6,030,185	289,494,862
Total Funding Costs	**306,001,875**	**$54,435,128**	**$3,882,592**	**$364,319,595**	**$89,226,861**	**$7,149,381**	**$402,378,117**

Present Law Mandates

The division operates programs to provide medical services to Montanans who meet certain eligibility criteria under the Medicaid Program. The Medicaid Program is a voluntary state/federal partnership to provide and finance these services to the aged, blind, disabled or poor. The Montana program is authorized in Title XIX of the federal Social Security Act (42 U.S.C. 1396, et seq.) and Title 53, Chapter 6, section 101, MCA.

Four programs, the disabled waiver, Medicare buy-in, targeted case management for the developmentally disabled, and Medicaid eligible education costs are not mandated by state or federal law. These programs were developed to provide a more cost-effective means of delivering services, primarily by enhancing federal revenue available to pay these costs. They were authorized by the legislature in the appropriations process.

Finally, the Indian Health Services Program is a federal mandate, entirely funded by federal money. The department acts as an agent for passing through federal funds to providers within the IHS program.

Present Law Base

Personal Services - Base adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $250,724 in FY96 and $263,098 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses decrease $664,565 in FY96 and $565,372 in FY96 due to transfer of the MMIS operations contract to the Operations and Technology Division. A portion of this decrease was offset by an increase in consulting services. The department proposes to contract with a variety of consultants to provide expertise in cost and utilization control measures. The proposed savings are reflected in the benefits and claims for the primary care budget. The remaining operating expense changes are a result of the fixed costs adjustments and inflation/deflation.

Equipment - In total, equipment requests for the 1997 biennium decrease by $288,791 in FY96 and $301,591 in FY97, compared to the base year equipment expenditures. Specific items requested for FY96 are desks and desk chairs, six new Pentium based personal computers and software, upgraded software for existing machines, and four HP Laserjet 4SI printers and server units, for a total of $58,800. Requested items for FY97 include ten new Pentium based personal computers and software, for a total of $46,000.

Benefits and Claims - The proposed benefits and claims base adjustment is $54,679,351 in FY96 and $89,281,027 in FY97. This includes the increase in primary care (a total of $35,148,517 in FY96 and $61,307,919 in FY97), nursing homes (a total of $13,106,139 in FY96 and $19,063,062 in FY97), residential treatment (a total of $2,054,427 in FY96 and $1,938,598 in FY97), Medicare buy-in (a total of $1,216,855 in FY96 and $2,677,081 in FY97), the elderly waiver (a total of $1,161,333 in FY96 and $1,211,452 in FY97), the disabled waiver (a total of $1,549,509 in FY96 and $1,614,404 in FY97), Medicaid eligible education costs (a total of $109,224 in FY96 and $171,408 in FY97), and the transfer of targeted case management benefits for the developmentally disabled from DFS to the department during the last biennium (a total of $1,719,862 during FY96 and $2,697,744 during FY97). It also includes a decrease in the institutions federal matching funds of $2,122,455 during FY96 and $2,136,581 in FY97 due primarily to the recommended closure of Eastmont Human Services Center. The institutional federal matching funds are redirected to community-based services in the developmental disabilities division budget. The present law benefits and claims base adjustment also contains increases of $5,139,220 in FY96 and in FY97 for the Indian Health Service pass-through federal funds.

Transfers - Transfer present law adjustments total $459,700 for FY96 and $550,990 for FY97. The transfers include funds for the Baby Your Baby Program operated in the Department of Health and Environmental Sciences and for targeted case management for the developmentally disabled.

Debt Service - A negative present law adjustment is shown. This reduction is the difference between no debt service proposed for the 1997 biennium and the base year expenditure of $1,291 in debt service.

New Proposals

Personal Services Reduction - The personal services budget for the division is reduced by $113,228 in FY96 and $114,247 in FY97. This represents a 5% vacancy savings rate imposed on the division. The funds saved under this reduction will be used to pay for the proposed 1997 biennium pay plan.

Liens and Estate Recoveries - The Omnibus Budget Reconciliation Act of 1993 (OBRA 93) passed in August, 1993, by Congress mandates significant changes in Medicaid long-term care policy. The primary goal of these mandates is to promote estate planning which relies on an individuals assets, in lieu of sheltering assets and relying on Medicaid to pay for long-term care. The department contracted for expertise on how to implement the mandates. Two primary recommendations were made: 1) Implement a strong lien and recovery program as a deterrent to relying on Medicaid, and 2) Conduct an aggressive public education and media program to inform citizens of the changes in eligibility and provisions for recovery of benefits from assets at a later time. The department proposes to contract with a third party liability vendor to design, implement, and operate a state-of-the-art recipient asset management system. The assets of all long-term care recipients would be identified, tracked (secured with liens), and the department would recover the value of the assets at the time of sale or by filing a claim against the recipient's estate. The vendor also would conduct a far-reaching public education campaign to maximize the cost avoidance savings to be realized from individuals who plan for financing their own long-term care rather than have Medicaid pay the bill. The costs include $100,000 during FY96 for the media campaign, and $90,000 each year of the biennium for the contractor. A reduction in nursing home program benefits costs is anticipated to be $600,000 each year of the biennium.

Montana/CARES - In an effort to reduce the nursing home and primary care expenditures, the department has aggressively pursued community based assisted living alternatives. This proposal is for funds for a contract to develop rates, program parameters, and perform maintenance and monitoring of the assisted living program. This staff person also would be responsible for coordination among state agencies in the development of licensure standards for assisted living facilities.

Personal Health Management Contract - One of the most costly problems facing any health delivery system, both in terms of dollars and appropriate care rendered, is how to get people to go for the care they need in the proper place at the proper time. All too frequently, care is not provided soon enough or is delivered at the most expensive settings in the care continuum. To address this problem, the department proposes to contract with a private vendor to provide 24-hour telephone-based health information prevention and case management services so that Medicaid clients have improved access and opportunity for increased individual responsibility for managing their health. One potential vendor, Access Health Marketing, could offer its personal health advisor to 70,000 Montana Medicaid clients who are not currently enrolled in an HMO. The cost is $.50 per month per client, for a total of $420,000 each year of the biennium. The resulting savings to the Medicaid program is expected in the area of averted emergency room visits. In Oregon, approximately 92% of the clients who indicated that they would have gone to the emergency room before using this service, pursued a lower-cost alternative to access care. The department estimates that this service could potentially about one-fourth of the emergency room visits for a savings of $1,250,000 annually. Net savings for the program will be about $830,000 each year of the biennium.

Medicaid Selective Contracting - The department proposes to save the Medicaid Program a net of

approximately $125,000 in FY96 and $400,000 in FY97 by contracting with select out-of-state hospitals for specific services not available in-state. A contractor would be hired to define specific medical services to be contracted and to assist in the issuance of a request for proposal. The contractor is expected to cost approximately $75,000 during FY96. The proposal requires a waiver from the Health Care Financing Administration (HCFA).

OBRA Related Nurse Aide - OBRA 87 and OBRA 90 set forth regulations regarding activities of nurse aide testing, training, monitoring, and abuse investigations for certified nurse aides. The Department of Health and Environmental Sciences (DHES) is responsible for evaluation of testing and training programs, monitoring services and investigations of alleged abuses. They will either perform the investigations or contract to have investigations done. Their responsibility encompasses facilities who serve both Medicare and Medicaid clients. Historically, DHES has held all funds for these activities related to Medicare. For activities related to Medicaid, the department of SRS has held the general and federal funds. DHES has performed the work related to Medicaid and then billed SRS for services under an inter-departmental memorandum of understanding. This specific proposal pertains to the additional resources necessary to comply with the OBRA 87 and OBRA 90 requirements for Medicaid, which impact SRS. SRS estimates that requirements pertaining to establishing a nurse aide abuse registry, hearings and enforcement activities will require an additional $651,818 in FY96 and $649,818 in FY97. Costs include contracted services for a half-time attorney to represent Medicaid findings in appeals and the hearings process, contracted services for a hearings officer, travel and contracted services to perform investigations related to Medicaid.

Audit Funds RTCs/Hospitals - HCFA requires the state to perform periodic audits of cost-based Medicaid providers such at residential treatment centers (RTCs) and hospitals. The department uses data from the audits to set future reimbursement rates and to recover overpayments to RTCs or hospitals. SRS requests $102,000 each year of the biennium to perform audits of the three in-state residential treatment facilities (at a cost of $10,000 each for a full scope on-site audit), desk reviews of the four large out-of-state residential treatment centers (at a cost of $3,000 each year), and a total of $60,000 each year for common audits of Medicare/Medicaid hospital cost reports for in-state hospitals and out-of-state hospitals which receive in excess of $100,000 from Medicaid each year. The department estimates that 3% of the estimated $14 million spent on RTCs will be recovered each year of the biennium as a result of the audits. This is an annual savings of approximately $420,000 each year of the biennium.

Medical Support Section - Contracted services are recommended for additional SURS support to increase recoveries. The department proposes to contract with a registered nurse, to be located in the Medical Support Section of the Medicaid Division, to pursue cost recovery. The cost is estimated to be $39,186 in FY96 and $35,186 in FY97 and recovery of overpayment is estimated to be $80,000 each year of the biennium. The net savings will be $40,814 in FY96 and $44,814 in FY97.

Provider Rate Increase/Kids Dental 80% - This proposal is to increase Medicaid reimbursement for children's services to 80% of charges. In FY93, Medicaid reimbursed dentists at 59.75% of charges. This has created severe access problems for children on Medicaid seeking dental services, which is one of the core preventive services necessary to maintain general health. The projected cost is $850,310 for FY96 and $928,878 for FY97.

Assess Long-Term Care Recipients - The department continues to work on comprehensive cost-effective means of delivering long-term care services. This proposal is to collect information on 11,000 individuals who are eligible or applying for Medicaid long-term care services. The information would be used to place recipients in the least-restrictive less-costly level of appropriate care. It would also be used to predict future expenditures. This effort would begin in FY97, with an initial cost of

$50 per full initial screen. Costs would decrease after the initial year, since clients receiving services would only receive an update screen and only new clients would receive a full screen. The objective for the 1999 biennium is to collect baseline data on all applicants for Medicaid who were SSI or aged.

LTC Computerized Assessment Tool - To manage the information collected in the assessment of long-term care recipients, the department proposes to contract for development of a PC-based computer system. This system would be used to make the assessments, collect the information from the assessments for management level use, and for use by case managers in the field to manage the care of clients in the long-term care system. Initial projected costs are $150,000 in FY96 with ongoing annual costs of $20,000 thereafter. The department has contracted for a study of the long-term care assessment process which will provide implementation timelines and more precise cost estimates for this process. Estimates will be revised based on the study results which will be available in January 1995.

Outpatient Hospital FTE - Outpatient hospital services are currently one of the fastest growing areas of Medicaid expenditures. The department currently has one program officer responsible for both the inpatient and outpatient hospital programs. This new 1.00 FTE would take over responsibility for the outpatient hospital program. The duties will include a selective contracting initiative (where the department would contract with certain hospitals or other providers to perform specific services at a cost-savings to the Medicaid program), policy development, rule changes, state plan changes and continuous monitoring of the statistical analysis reporting system to be designed and implemented by a contractor.

Mental Health Managed Care Primary Care Savings - During the 1993 Legislative Session, the department was authorized to develop managed care delivery systems for Medicaid services. The department proposes to develop a managed care system for mental health services delivered under the Medicaid Program. Estimated savings in the primary care budget will be $2 million general fund each year of the biennium. This savings depends on HCFA granting a waiver to the state to implement this managed care system.

Rebase DRG System - An independent study done by Abt Associates recommended that the department make provisions to update, recalibrate, and improve the diagnosis related grouping (DRG) prospective payment system for inpatient hospital reimbursement. The DRG system is a method of classifying and determining reimbursement for inpatient hospital services, based on claims information submitted by providers. The study recommended recalibrating the DRG weights and updating the grouper at least once every three years. The department would need to contract to have this task done during the 1997 biennium. The estimated cost is $150,000 in FY96 and $150,000 in FY97.

MMIS-TPL Enhancement - This request is to update the Montana Medicaid Information System (MMIS) to include data relating to third party liability (TPL) and to capture third party reimbursement during the claims adjudication process. Specifically, the department would contract with the Medicaid claims processing agent to enhance the system to capture third party liability information and funds. Some of this work is currently being done by the department, and this would free up an FTE to work on referrals. Both TPL and the Health Insurance Premium Payment Program (HIPP) are cost-recovery measures used by Medicaid, and lower the overall cost of the program.

Contract/Develop RBRVS System - One of the current challenges facing the Montana Medicaid program involves balancing the increasing need to improve recipient access to Medicaid by increasing physician participation and containing costs. Medicaid reimbursement for physician services is currently based on a percentage of what the physician charges. The current system has discrepancies in the fee schedule, partially because of when the fees were set and partially because

of when new procedures were added to the schedule. The department proposes to move to a relative value system for reimbursing physicians. Under the relative value system, a base fee is determined for physician services. Then each procedure is weighted according to its relative value as determined by comparison with all services. The reimbursement for a service is the amount of the base fee multiplied by the relative value factor. Medicare, Blue Cross and Blue Shield of Montana, and 15 other Medicaid agencies are implementing or considering changing to such a system. The system used by Medicare is called the Resource Based Relative Value System (RBRVS). A contractor would be hired to determine the appropriate system and scale for use in Montana, and the department would present a proposal to the 1997 Legislature for approval.

Welfare Reform - Primary Care Decrease - The departments welfare reform proposal includes an initiative to reduce Medicaid services for dental, optometric, eyeglasses, hearing aids, audiology and therapies to a portion of the adult AFDC population. The department estimates this will reduce the base for primary care expenditures by $579,887 in FY96 and $2,651,095 in FY97.

Managed Care Support Contract - The department requests contracted services money for a person to perform data analysis and systems management tasks and for a person to provide clerical and technical support for the Managed Care section of the Medicaid Division. Total funds are $72,995 in FY96 and $64,995 in FY97.

Med Stat Contract - In order to keep up with the increasing demands for management information for the Medicaid Program, the department proposes to implement a reporting system for Medicaid claims, eligibility and provider data. The department will contract with the Med Stat vendor for the system. The cost is $419,000 in FY96 and $419,000 in FY97.

Welfare Reform - Equipment - The department requests funds to purchase a system to automate all Medicaid files and all federal and state statutes and regulations. One optical scanner, a CD-ROM on each desktop computer, a CD-ROM recorder, and two CD-ROM carousel servers would be purchased during the biennium for this purpose. Total cost would be $17,000 each year of the biennium.

Increase DRG Base - An independent study done by Abt Associates recommended that the department make provisions to update, recalibrate and improve the DRG prospective payment system for inpatient hospital reimbursement. A separate rebase proposal, described above, is to recalibrate the DRG weights and update the grouper. This request is to increase the DRG base payment each year of the biennium. The current DRG base rate is $1,889.68. The department is requesting that the DRG base rate be increased at the same rate as the medical market basket index, which is published by the federal Health Care Financing Administration (HCFA) each year. The proposal is to go to $1,965.28 in FY96 and $2,043.88 in FY97, based on an estimated market basket index of 4% per year. The base rate increase is necessary to ensure compliance with the Boren Amendment. The estimated cost is $1,320,214 in FY 96 and $2,467,200 in FY97.

Home Rebase - The current proposal contained in the executive budget is to increase the nursing facility bed fee by $.52 in FY96 to $3.32 per day and by $.54 per day in FY97 to $3.86 per day and match the increased revenue generated with federal funds to provide a rebase of the nursing home reimbursement rate.

However, continuing projections indicate that if the bed fee were held constant at the FY95 level ($2.80 per day), there may be sufficient revenue generated, along with some small amount of additional general fund revenue, to leverage sufficient federal funds to provide for the nursing home rebase. By the time the 1995 Legislature convenes, the executive will likely propose this second course of action and not recommend increasing the bed fee to pay for the nursing home rebase.

Additional revenue generated by the increase in bed fees is projected in the November 1, 1994, budget to total $1,404,368 in FY96 and $2,689,394 in FY97. The federal revenue leveraged from the fees would be $3,236,636 in FY96 and $5,986,072 in FY97. In total, the nursing home reimbursement would increase $13,316,470 during the biennium.

Funding

The division is funded from several sources: general fund, nursing facility bed fee special revenues, county welfare reimbursement, donations for the Baby Your Baby program, and federal Medicaid revenue. Benefits under Medicaid are matched at the federal medical assistance percentage (FMAP) rate which is 30.26% general fund and 69.74% federal funds for FY96, and 31.00% general fund and 69.00% federal funds for FY97. Contracted services under Medicaid are generally a 50/50 (federal/general fund) matching rate, with a few items such as system development mandated by the federal program funded under an enhanced match rate of 90/10 or 75/25. The nursing facility bed fee special revenue funds are considered part of the state matching funds at the FMAP rate for Medicaid nursing facility services.

6901-08 TDD PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	3.00	.00	.00	3.00	.00	.00	3.00
Personal Services	93,717	2,406	-4,806	91,317	2,796	-4,826	91,687
Operating Expenses	420,094	141,022	0	561,116	199,742	0	619,836
Equipment	0	23,625	0	23,625	23,625	0	23,625
Total Agency Costs	**513,811**	**$167,053**	**$-4,806**	**$676,058**	**$226,163**	**$-4,826**	**$735,148**
State Special Revenue Fund	513,811	167,053	-4,806	676,058	226,163	-4,826	735,148
Total Funding Costs	**513,811**	**$167,053**	**$-4,806**	**$676,058**	**$226,163**	**$-4,826**	**$735,148**

Present Law Mandates

The program is provided for in Title 53, Chapter 19, part 3, MCA.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $2,406 in FY96 and $2,796 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $141,022 in FY96 and $199,742 in FY97 primarily due to increases in contracted services for relay services, a secondary equipment trainer, and outreach. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $23,625 each year of the biennium. The department proposes to spend that amount each year on additional telephone amplification equipment and terminals for use by Montana's hearing impaired people.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by $4,806 in FY96 and $4,826 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Funding

The program is funded by a monthly fee of $.10 assessed on every telephone access line. The telephone company retains 0.75% collected for this fee, for administrative costs, and forwards the balance to the state to operate the program.

6901-09 OPERATIONS & TECHNOLOGY DIVISI

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	94.50	.00	-4.00	90.50	.00	-4.00	90.50
Personal Services	2,937,567	206,828	-159,708	2,984,687	221,715	-160,278	2,999,004
Operating Expenses	12,869,904	-1,384,844	325,936	11,810,996	-1,430,488	530,688	11,970,104
Equipment	116,502	113,919	0	230,421	62,511	0	179,013
Transfers	234,880	-24,743	400,000	610,137	-24,743	400,000	610,137
Debt Service	81,632	-81,632	0	0	-81,632	0	0
Total Agency Costs	**16,240,485**	**$-1,170,472**	**$566,228**	**$15,636,241**	**$-1,252,637**	**$770,410**	**$15,758,258**
General Fund	5,842,506	-961,428	134,798	5,015,876	-1,002,569	198,934	5,038,871
State Special Revenue Fund	930,828	583,038	50,778	1,564,644	574,460	86,989	1,592,277
Federal Special Revenue Fund	9,467,151	-792,082	380,652	9,055,721	-824,528	484,487	9,127,110
Total Funding Costs	**16,240,485**	**$-1,170,472**	**$566,228**	**$15,636,241**	**$-1,252,637**	**$770,410**	**$15,758,258**

Present Law Mandates

The division supplies department wide support services. Their duties include fiscal support for Supplemental Security Income (provided for under 45 CFR, Part 74, 45 CFR Subtitle A, Part 92 and Subpart C 92.20, OMB Circular A-87, and 17-2-101 and 17-2-102 MCA.), Legislative Audit as provided for in 5-13-101 MCA and 45 CFR Part 92.96, TEAMS as provided for in Title IV of the federal Social Security Act, Section 406 PL 96-265, and 45 CFR Parts 215.35-38, SEARCHS as provided for in 45 CFR 302.85 and the Family Support Act of 1988, PL 100-485, Operations and Technology as provided for in Title 17 and Title 40, MCA, and Title IV Social Security Act Section 406, PL 96-265, Audit and Program Compliance as provided for in 2-15-112 and 53-2-201, MCA, and Welfare Fraud as provided for in 53-2-501, MCA.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $206,828 in FY96 and $221,715 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses decreased $1,384,844 in FY96 and $1,430,488 in FY97 primarily due to an elimination of one time costs which occurred during the base year. TEAMS and SEARCHS facilities management contracts were increased for cost of living adjustments, the Applications Services Bureau to address a backlog of information services requests, and transfer of the MMIS contract from the Medicaid Division to OTD. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $113,919 in FY96 and $62,511 in FY97. The department proposes to replace 40 personal computers, ten printers, one network server, four automobiles, and one photocopier in FY96 (total of $188,367), and 37 personal computers, 11 printers, and four automobiles (total of $136,959) in FY97. The department also requests funds to purchase an additional 109 computers, necessary to implement FAIM and MACCS which were approved by the 1993 Legislature, and place the computers in the counties. Total cost for these additional computers will be $42,054 each year of the biennium.

Transfers - Present law adjustments for transfers total a negative $24,743 general fund each year of the biennium. This eliminates a one-time general fund transfer of $24,743 to the Department of Justice (DoJ) which is now included in their budget. SRS requests $210,137 federal funds each year of the biennium for transfer to DoJ to perform investigation and prosecution of public welfare fraud.
Debt Service - A negative present law adjustment of $81,632 each year of the biennium is shown. This is due to no debt service being budgeted in FY96 and FY97, compared to the base year expenditure of $81,632 for debt service primarily on early retirement costs.

New Proposals
Personal Services Reduction - The personal services budget for the division is reduced by 4.00 FTE and additional personal services funding totaling $159,708 in FY96 and $160,278 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed 1997 biennium pay plan.

Computer Costs - TEAMS - The department requests an increase in the amount for ISD mainframe computer charges. This is necessary due to an increase in the number of TEAMS users and will expand more with the implementation of FAIM and MACCS. Total costs are estimated at $248,176 in FY96 and $392,880 in FY97.

ISD Subscriptions - TEAMS - The department requests funds to increase the number of ISD mainframe connections for FAIM and MACCS users. The estimated cost is $27,216 in FY96 and $44,064 in FY97.33696 76896

SEARCHS ISD Subscriptions - This request is to provide an additional 39 network/mainframe hookups in FY96 and FY97. The increased need for the connections is due to additional CSED staff which were authorized by the legislature and have been hired on a phased in schedule during the current biennium. The total cost is $16,848 in each year of the biennium.

Medicaid Fraud Increase/Justice - This proposal requests funds for transfer to the Department of Justice (DoJ) for investigation and prosecution of Medicaid fraud by clients and providers. OBRA 93 requires that each state receiving Medicaid funding establish a Medicaid Fraud Control Unit, and the functions to be performed in DoJ are necessary to establish this unit. If this proposal is approved, the general funds should be appropriated in DoJ with only the federal funds remaining in SRS. Total cost is projected to be $400,000 each year of the biennium.

Funding
OTD administration support functions are funded by a cost allocation split charged to all the revenue sources, including general fund, county reimbursement, handicapped telecommunications, child support state share, and federal revenue. Specific functions within the division are direct charged, for example SEARCHS is funded at 34% child support state share and 66% federal funds and TEAMS is funded at 50% state funds and 50% federal funds.

6901-10 VOCATIONAL REHABILITATION PGM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	71.50	.00	.00	71.50	.00	.00	71.50
Personal Services	2,161,637	87,253	-112,445	2,136,445	98,534	-113,396	2,146,775
Operating Expenses	385,749	23,253	0	409,002	27,082	0	412,831
Equipment	17,803	16,116	0	33,919	13,667	0	31,470
Benefits and Claims	7,256,876	292,240	1,239,926	8,789,042	475,356	1,239,926	8,972,158
Debt Service	1,010	-1,010	0	0	-1,010	0	0
Total Agency Costs	**9,823,075**	**$417,852**	**$1,127,481**	**$11,368,408**	**$613,629**	**$1,126,530**	**$11,563,234**
General Fund	1,721,569	292,232	507,958	2,521,759	336,306	507,757	2,565,632
State Special Revenue Fund	330,361	-138,274	-196,717	-4,630	-138,274	-196,717	-4,630
Federal Special Revenue Fund	7,771,145	263,894	816,240	8,851,279	415,597	815,490	9,002,232
Total Funding Costs	**9,823,075**	**$417,852**	**$1,127,481**	**$11,368,408**	**$613,629**	**$1,126,530**	**$11,563,234**

Present Law Mandates

The program is federally mandated in 29 U.S.C. 721, et seq., 29 U.S.C. 774, 29 U.S.C 795, et seq., 29 U.S.C. 796, et seq., 29 U.S.C. 777b, 29 U.S.C. 2201, et seq., 29 U.S.C. 701, 53-2-11-1, MCA, and in Title 53, Chapter 7, MCA.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $87,253 in FY96 and $98,534 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increased $23,253 in FY96 and $27,082 in FY97 primarily due to an increase in contracted medical services for the purpose of assessing potential eligibility of persons applying for VR services. The FY94 appropriated level was requested since the FY94 actual was quite low compared to historical costs. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $16,116 in FY96 and $13,667 in FY97. The department proposes to pay for the lease/purchase of a phone system replacement in the Missoula office which was done in February 1994, replace a modem, chairs in field offices, worn out transcribers in field offices, copiers in four field offices and finish out the lease agreements for three additional field offices for copiers, five computers each year, five desktop printers each year, three laserjet printers, and replace or update obsolete software. The total proposed cost is $33,319 in FY96 and $31,470 in FY97.

Benefits and Claims - The net present law adjustment for benefits and claims is $292,240 in FY96 and $475,356 in FY97. Increases include annualization of the 2.5% provider rate increase approved in the 1993 Legislature, an executive proposal for a 1.5% provider rate increase to minimally address the costs of doing business, an executive proposal for more tuition funds to cover the increased cost of tuition expected during the next biennium, and increases in the Migrant Worker grant, the Montech grant, and the Independent Living Part B grant.

Debt Service - A negative present law adjustment of $1,010 each year of the biennium is shown. This is due to no debt service being budgeted in FY96 and FY97, compared to the base year expenditure of $1,010 for debt service.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduces by $112,445 in FY96 and $113,396 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used for the proposed 1997 biennium pay plan.

Workers' Comp Fund Switch - This is mentioned in the funding section. The executive proposes completion of a funding switch begun during the 1995 biennium. A portion of the state match for Section 110 VR benefits and administration had been provided by the industrial accident Rehabilitation account. Due to a decrease in the number of work comp cases (and therefore the revenue going into this account) and the change in the type of work comp cases (fewer are able to be served by the VR program), this fund source is less available and appropriate. Therefore, this fund source is replaced with general fund. The cost is $192,087 each year of the biennium.

Increase VR/VS Benefits to Equal Federal Grant - Additional funding is requested to meet the needs of the VR and VS clients in Montana. Since FFY87, the number of clients served by both programs has increased 14%, without a corresponding increase in budget. This proposal is to add $244,906 general fund each year of the biennium, to be matched with $904,887 in federal funds each year. The total increase in FY96 and in FY97 is $1,149,793 for the VR/VS budget. The entire increase is in direct benefits.

Extended Employment Increase - Currently there is a long waiting list for extended employment services. There is a special need to provide services to persons who have traumatic brain injuries or are mentally ill and do not qualify for DD or mental health services. The executive proposes to fund services for an additional 17 persons, at an annual cost of $90,133. The entire cost is general fund.

Funding

Funding for this programs is especially complex. The Section 110 benefits and administration are funded by general fund, state special revenue in the industrial accident rehabilitation account (general fund and state special revenue total 21.3%), and federal revenue (78.7%). A proposal is included to switch funding from the industrial accident rehabilitation account to general fund, due to a change in the mix of cases, where workers compensation cases are declining and regular VR cases are increasing. This is the final segment of a three-year replacement of industrial accident rehabilitation account funds with general fund (begun during the 1995 biennium). In-Service Training and Independent Living Part B benefits and administration are funded by 10% general fund and 90% federal funds. Supported Employment 6C Benefits, Migrant Workers Benefits (the Montana Migrant Council in Billings provides a 10% match directly), Montech benefits and administration, and Job Training Partnership Act (JTPA) and Social Security (SS) benefits and administration are 100% federally funded. Extended Employment benefits are paid with 100% general fund.

6901-11 DISABILITY DETERMINATION PGM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	40.00	.00	.00	40.00	.00	.00	40.00
Personal Services	1,218,258	63,203	-63,520	1,217,941	70,100	-63,865	1,224,493
Operating Expenses	1,612,587	299,334	0	1,911,921	390,957	0	2,003,544
Equipment	37,578	-14,311	0	23,267	-17,476	0	20,102
Benefits and Claims	67,344	6,714	0	74,058	6,714	0	74,058
Debt Service	2,019	-2,019	0	0	-2,019	0	0
Total Agency Costs	**2,937,786**	**$352,921**	**$-63,520**	**$3,227,187**	**$448,276**	**$-63,865**	**$3,322,197**
Federal Special Revenue Fund	2,937,786	352,921	-63,520	3,227,187	448,276	-63,865	3,322,197
Total Funding Costs	**2,937,786**	**$352,921**	**$-63,520**	**$3,227,187**	**$448,276**	**$-63,865**	**$3,322,197**

Present Law Mandates

The program is mandated by the federal government under Title VII of the federal Rehabilitation Act of 1973 (29 U.S.C. 796, et seq.).

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates, with a small amount ($11,068) each year for overtime pay and benefits. The total increase is $63,203 in FY96 and $70,100 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $299,334 in FY96 and $390,957 in FY97 primarily due to increased costs for medical consultants reviewing cases cleared through the bureau, copies of medical records, and medical examination costs for disability applicants. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is a negative $14,311 in FY96 and $17,476 in FY97. The department requests funds to replace two personal computers and software, purchase seven panel workstations, one laser printer, three conference tables, twenty chairs, and four bookcases during FY96, and replace one personal computer, software, one copier, and purchase four panel workstations during FY97. The total cost for these items is $23,267 during FY96 and $20,102 during FY97.

Benefits and Claims - The net present law adjustment for benefits and claims is $6,714 each year of the biennium. This increase is for client travel, which must be reimbursed, to consultative examinations.

Debt Service - A negative present law adjustment of $2,019 each year of the biennium is shown. This is due to no debt service being budgeted in FY96 and FY97, compared to the base year expenditure of $2,019 for debt service.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by $63,520 in FY96 and $63,865 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	18.25	.00	.00	18.25	.00	.00	18.25
Personal Services	531,131	35,764	-28,345	538,550	38,523	-28,578	541,076
Operating Expenses	102,346	2,056	0	104,402	3,134	0	105,480
Equipment	2,283	6,395	0	8,678	6,395	0	8,678
Benefits and Claims	795,323	55,397	0	850,720	73,115	0	868,438
Total Agency Costs	**1,431,083**	**$99,612**	**$-28,345**	**$1,502,350**	**$121,167**	**$-28,578**	**$1,523,672**
General Fund	315,615	23,338	-6,037	332,916	28,769	-6,087	338,297
Federal Special Revenue Fund	1,115,468	76,274	-22,308	1,169,434	92,398	-22,491	1,185,375
Total Funding Costs	**1,431,083**	**$99,612**	**$-28,345**	**$1,502,350**	**$121,167**	**$-28,578**	**$1,523,672**

Present Law Mandates

This program is federally mandated under 29 U.S.C. 721, et seq., and is provided for in 53-2-201(c), MCA.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $35,764 in FY96 and $38,523 in FY97.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $2,056 in FY96 and $3,134 in FY97 mainly due to increased costs for medical consultants reviewing potential eligibility of persons applying for VS. The remaining operating expense changes are a result of fixed costs and inflation/deflation.

Equipment - The net present law adjustment is $6,395 each year of the biennium. The department requests funds to replace two personal computers, two desktop printers, one laserjet printer, and one closed circuit television during each year of the biennium. The department also requests funds to purchase two personal FM pocket talkers each year of the biennium. These devices are used by orientation and mobility specialist rehabilitation teachers to work with clients teaching them to live and move independently in their communities. The total for the equipment requests is $8,678 each year of the biennium.

Benefits and Claims - The net present law adjustment for benefits and claims is $55,397 in FY96 and $73,115 in FY97. The increase includes annualization of the 2.5% provider rate increase approved during the 1993 Legislature, an executive proposal for a 1.5% provider rate increase to minimally address the costs of doing business, and an executive proposal for more tuition funds to cover the increased cost of tuition expected during the next biennium.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by $28,345 in FY96 and $28,578 in FY97. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Funding

This program has several funding sources. Visual Services administration and Visual Services Section 110 benefits are funded by general fund (21.3%) and federal revenue (78.7%). Independent Living Part C benefits (with the IL Centers providing a 10% in-kind match directly) and Job Training

Partnership Act (JTPA) and Social Security (SS) benefits are fully federally funded. Visual Services Medical benefits are paid with 100% general fund.

6901-14 DEVELOPMENTAL DISAB PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	43.25	33.50	.00	76.75	33.50	.00	76.75
Personal Services	2,394,143	208,030	-128,018	2,474,155	222,665	-126,601	2,490,207
Operating Expenses	430,789	104,619	44,100	579,508	108,856	13,600	553,245
Equipment	6,580	6,322	0	12,902	6,322	0	12,902
Grants	28,727	-1,791	0	26,936	-1,791	0	26,936
Benefits and Claims	35,922,762	5,053,887	4,261,800	45,238,449	6,238,354	6,184,724	48,345,840
Transfers	1,000	-1,000	0	0	-1,000	0	0
Debt Service	38,357	-38,357	0	0	-38,357	0	0
Total Agency Costs	**38,822,358**	**$5,331,710**	**$4,177,882**	**$48,331,950**	**$6,535,049**	**$6,071,723**	**$51,429,130**
General Fund	16,408,524	2,645,770	734,991	19,789,285	3,284,963	1,063,516	20,757,003
Federal Special Revenue Fund	22,413,834	2,685,940	3,442,891	28,542,665	3,250,086	5,008,207	30,672,127
Total Funding Costs	**38,822,358**	**$5,331,710**	**$4,177,882**	**$48,331,950**	**$6,535,049**	**$6,071,723**	**$51,429,130**

Present Law Mandates

The division contracts with private not-for-profit agencies to provide services mandated by the state in Title 53, Chapter 20, MCA. These services include evaluation and diagnosis, family education and support, respite care, residential living, vocational/day services, transportation, and other services for Montanans with developmental disabilities and for their families.

Present Law Base

Personal Services - Base adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $208,030 in FY 96 and $222,665 in FY 97.

Inflation/Deflation & Fixed Costs - Net operating expenses increased $104,619 in FY96 and $108,856 in FY96 due to transfer of the targeted case management (TCM) program from DFS, and as a result of the fixed costs adjustments and inflation/deflation.

Equipment - Equipment recommended for the 1997 biennium totals $12,644 for partial replacement of fifteen IBM-XT 8088 personal computers. This request reflects an average decrease of approximately $150 from the base year equipment request.

Grants - This request reflects a reduction of $1,791 each fiscal year, from the base year expenditure, for the DD Conference. The request is based on anticipated funding for the conference.

Benefits and Claims - The proposed benefits and claims base adjustment is $5,053,887 in FY96 and $6,238,354 in FY97. This is due to annualization of the 2.5% DD provider rate increase (for providers whose sole client is the state) approved by the last legislature, an executive proposal for a 1.5% provider rate increase for DD providers to minimally address increasing costs of doing business, transfer of targeted case management from DFS to DD during the last legislature, a proposal to transfer the remaining 1.50 FET for TCM from DFS to SRS during this biennium, an initiative to permanently transfer $420,000 funding from DFS to DD for providing services to kids to maintain enhanced funding of existing programs through the Medicaid waiver (scheduled to occur in FY95), continued privatization of the Training and Information Resource Center (TRIC), and funding persons with physical disabilities. The department has determined that a number of clients impacted the Medicaid division to DD for this purpose.

Transfers - Transfers from the previous biennium are not continued.
Debt Service - Debt service from the previous biennium is not continued.

New Proposals

Personal Services Reduction - The personal services budget for the division is reduced by $128,018 in FY96 and $126,601 in FY97. This represents a 5% vacancy savings rate imposed on the division. The funds saved under this reduction will be used to pay for the proposed pay plan.

Personal Care In Group Homes - The department proposes to request approval from the federal government to allow Medicaid reimbursement for personal care services provided in adult group homes under the personal care option. Currently these services are paid for with 100% general fund. The state of Michigan has been successful with this effort and currently funds a portion of their group homes with personal care funding. This proposal provides additional federal authority of $2,315,900 in FY96 and $2,299,475 in FY97 to expand services.

Increased Federal Authority - The DD program requests additional federal authority of $1 million each year of the biennium, to be used to provide additional services. This is in line with the language in HB2 during the 1993 session which directed the division to secure additional federal funds, with no additional commitment of general fund, for providing DD services.

Additional Work/Day Services Opportunities - The executive proposes to provide additional funding for work/day services for individuals with developmental disabilities. The expansion would be $50,000 general fund in FY96 and $100,000 general fund in FY97. This will provide work/day services and transportation to and from these services for 10 individuals in FY96 and services and transportation for 20 individuals in FY97 (the 10 individuals added in FY96 with 10 additional individuals added in FY97). As of March 1994, there were 376 individuals who receive no DDD work/day services on a waiting list for these services. Historically, 40 students graduate each year and request these DD services.

Additional Supported Living Opportunities - The executive proposes to provide additional funds for supported living. The expansion would add $100,000 general fund in FY96 and $200,000 general fund in FY97 to provide supported living for five individuals from the community waiting list during the first year of the biennium, with an additional five beginning the second year of the biennium. There are currently 75 individuals receiving supported living services.

Community-Based Services - In keeping with the goal of the DD division to serve clients in the least restrictive setting appropriate to their needs, the executive proposes phasing out the Eastmont Human Services Center in Glendive, and relocating the clients to community-based services. Clients from the Montana Developmental Center (MDC) may also be moved into community services, as appropriate. This will leave MDC as the sole state institutional setting for serving DD clients. (Please see the narrative for the Department of Corrections and Human Services in section D for additional information on this proposal.) The DD division proposes to build eight new group homes, each housing six individuals, to provide places in the community to serve these clients. This proposal contains $640,000 general fund in FY96 for construction of these group homes, and $2,458,849 general fund and federal funds in FY97 for operation and maintenance of these group homes.

Family Child Care Choice (BA 475) - The department has received a federal grant which pays for respite services and support for families of children with disabilities. The grant began in FY94 and will continue through FY97. The amount of the grant is $200,000 in FY96 and $140,000 in FY97.

Funding

The division is funded by a variety of sources. General fund accounts for $19,789,285 in FY96 and $20,757,003 in FY97 of the total division budget. All additional sources are federal funds, comprised of Title XIX, Title XX, and Part H funds. They total $28,542,665 in FY96 and $30,672,127 in FY97.

6901-15 DEVELOPE DISAB ADVIS COUNCIL

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	2.00	.00	.00	2.00	.00	.00	2.00
Personal Services	74,749	32	-3,739	71,042	32	-3,739	71,042
Operating Expenses	49,408	22,977	0	72,385	22,977	0	72,385
Benefits and Claims	221,243	52,066	0	273,309	52,066	0	273,309
Transfers	9,659	-9,659	0	0	-9,659	0	0
Total Agency Costs	**355,059**	**$65,416**	**$-3,739**	**$416,736**	**$65,416**	**$-3,739**	**$416,736**
Federal Special Revenue Fund	355,059	65,416	-3,739	416,736	65,416	-3,739	416,736
Total Funding Costs	**355,059**	**$65,416**	**$-3,739**	**$416,736**	**$65,416**	**$-3,739**	**$416,736**

Present Law Mandates

The program is federally mandated under Public Law 103-230.

Present Law Base

Personal Services - Present law adjustments include annualization of the pay plan and adjustments for longevity and other rates. The total increase is $32 during each year of the biennium.

Inflation/Deflation & Fixed Costs - Net operating expenses increase $22,977 during each year of the biennium mainly due to an increase in consulting and professional services. A portion of this is for stipend to council members performing council business ($6,000 per year) with the remainder administrative funding that has yet to be obligated by the council. Additional operating expense changes are a result of fixed costs and inflation/deflation.

Benefits and Claims - The net present law adjustment for benefits and claims is $52,066 each year of the biennium. The increase represents the anticipated federal grant award, 65% of which is allocated for benefits.

Transfers - A negative present law adjustment of $9,659 each year of the biennium is shown. This is due to no transfers being budgeted in FY96 and FY97, compared to the base year expenditure of $9,659 for transfers.

New Proposals

Personal Services Reduction - The personal services budget for the program is reduced by $3,739 each year of the biennium. This represents a 5% vacancy savings rate imposed on the program. The funds saved under this reduction will be used to pay for the proposed pay plan.

Department of Family Services

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	610.18	-31.50	-12.92	565.76	-33.00	-6.42	570.76
Personal Services	16,687,039	1,788,777	-556,260	17,919,556	1,844,479	-351,970	18,179,548
Operating Expenses	5,445,842	4,439,124	2,046,584	11,931,550	1,884,365	3,653,655	10,983,862
Equipment	110,767	-37,758	51,813	124,822	-70,777	-11,850	28,140
Grants	7,430,556	529,145	4,059,617	12,019,318	529,145	4,158,893	12,118,594
Benefits and Claims	23,397,909	1,233,654	0	24,631,563	2,883,705	45,872	26,327,486
Transfers	0	137,000	0	137,000	137,000	0	137,000
Total Agency Costs	**53,072,113**	**$8,089,942**	**$5,601,754**	**$66,763,809**	**$7,207,917**	**$7,494,600**	**$67,774,630**
General Fund	32,613,472	2,896,598	4,568,010	40,078,080	3,577,460	5,689,079	41,880,011
State Special Revenue Fund	2,893,151	63,174	72,000	3,028,325	63,050	72,000	3,028,201
Federal Special Revenue Fund	17,565,490	5,130,170	961,744	23,657,404	3,567,407	1,733,521	22,866,418
Total Funding Costs	**53,072,113**	**$8,089,942**	**$5,601,754**	**$66,763,809**	**$7,207,917**	**$7,494,600**	**$67,774,630**
Management Sup. Serv. Div.	1,510,992	2,802,597	635,841	4,949,430	156,180	2,236,320	3,903,492
Regional Administration	11,350,762	-33,501	365,042	11,682,303	30,546	521,935	11,903,243
Juvenile Corrections	7,399,888	931,601	38,276	8,369,765	973,822	-6,102	8,367,608
Program Management Division	32,810,471	4,389,245	4,562,595	41,762,311	6,047,369	4,742,447	43,600,287
Total Program Costs	**53,072,113**	**$8,089,942**	**$5,601,754**	**$66,763,809**	**$7,207,917**	**$7,494,600**	**$67,774,630**

MISSION STATEMENT: To Protect Children and Adults by Supporting Family and Community Strengths.

6911-01 MANAGEMENT SUP. SERV. DIV.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	33.00	-1.50	1.50	33.00	-3.00	3.00	33.00
Personal Services	787,413	299,859	49,890	1,137,162	248,745	105,815	1,141,973
Operating Expenses	722,404	2,500,091	575,951	3,798,446	-95,360	2,130,505	2,757,549
Equipment	1,175	2,647	10,000	13,822	2,795	0	3,970
Total Agency Costs	**1,510,992**	**$2,802,597**	**$635,841**	**$4,949,430**	**$156,180**	**$2,236,320**	**$3,903,492**
General Fund	1,392,156	958,111	408,109	2,758,376	194,907	1,328,384	2,915,447
State Special Revenue Fund	1,350	13,650	0	15,000	13,650	0	15,000
Federal Special Revenue Fund	117,486	1,830,836	227,732	2,176,054	-52,377	907,936	973,045
Total Funding Costs	**1,510,992**	**$2,802,597**	**$635,841**	**$4,949,430**	**$156,180**	**$2,236,320**	**$3,903,492**

Present Law Mandates

The division provides administrative support to department staff to ensure the effective and efficient delivery of services required by the department mission and legal mandates. The base program operates primarily under Title 2, Chapter 15, and Title 52, Chapter 1, MCA.

Present Law Base

Personal Services - Personal services reflects the net effect of increases due to the annualized cost of the FY95 pay plan, benefits and payroll taxes, and an adjustment for FY94 vacancy savings, offset by a reduction of 1.00 FTE transferred to the Department of Social and Rehabilitation Services for Developmental Disabilities Targeted Case Management and a reduction of 0.50 FTE for the development of the Child Adult Protective Service (CAPS) management information system. Information system development costs were not continued in the base budgets of state executive branch agencies.

Operating Expenses - Base adjustment reflects continued development of the CAPS management information system with $2,447,817 in a one-time-only appropriation, anticipated to be required for the first nine months of FY96. It is projected that the system will become operational the fourth quarter of FY96. Funding for CAPS development is 25% general fund and 75% federal special revenue. The CAPS system is designed specifically for social workers and clients to make work easier for professionals and to effectively track and develop the cumulative data on DFS clients. The FY97 decrease is due primarily to transferring and consolidating data network under CAPS with shared state/federal funding.

Equipment - Equipment increases by $2,647 in FY96 and $2,795 in FY97 and consists of two desks and chairs, file cabinets, side chairs and other office items.

New Proposals

CAPS - The executive recommendation assumes CAPS will be fully operational the fourth quarter of FY96. Ongoing operation includes a 0.50 FTE in FY96 and a 2.00 FTE increase in FY97. Agency-wide fixed costs for data network services from the Department of Administration also are included in this proposal, with these costs projected at $62,520 in FY96 and $250,080 in FY97. The federal participation rate for the operational costs of CAPS is projected at 42.5% each year of the 1997 biennium and the total new proposal is $535,841 in FY96 and $2,136,320 in FY97.

Interagency Coordinating Council - The 1993 Legislature passed SB34, creating an Interagency Coordinating Council for State Prevention Programs. This legislation created a ten-member interagency council charged with the task of developing comprehensive prevention programs and studying policies and funding for prevention programs related to children and families. The ten members represent the following offices: 1) the Attorney General, 2) the Office of Public Instruction, 3) the Department of Family Services, 4) the Department of Social and Rehabilitation Services, 5) the Department of Corrections and Human Services, 6) the Department of Health and Environmental Sciences, 7) and three private organizations. This proposal adds 1.00 FTE with personal services costs of $31,394 each year of the 1997 biennium. Operating costs are requested at $58,606 in FY96 and $68,485 in FY97. Equipment needs are budgeted at $10,000 in FY96 only. The proposal is 100% general fund and the total cost is $100,000 each year of the 1997 biennium.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	345.70	-30.00	10.00	325.70	-30.00	15.00	330.70
Personal Services	9,027,737	886,216	227,697	10,141,650	938,815	382,585	10,349,137
Operating Expenses	2,291,497	-921,709	120,000	1,489,788	-911,301	120,000	1,500,196
Equipment	31,528	1,992	17,345	50,865	3,032	19,350	53,910
Total Agency Costs	**11,350,762**	**$-33,501**	**$365,042**	**$11,682,303**	**$30,546**	**$521,935**	**$11,903,243**
General Fund	6,814,561	144,618	232,977	7,192,156	189,797	332,718	7,337,076
State Special Revenue Fund	1,004,220	12,857	0	1,017,077	12,857	0	1,017,077
Federal Special Revenue Fund	3,531,981	-190,976	132,065	3,473,070	-172,108	189,217	3,549,090
Total Funding Costs	**11,350,762**	**$-33,501**	**$365,042**	**$11,682,303**	**$30,546**	**$521,935**	**$11,903,243**

Present Law Mandates

Regional Administration encompasses the agency's five service regions which provide direct protective services to children and adults. The base program operates with a number of state mandates, primarily in Titles 41, 52 and 53, MCA.

Present Law Base

Personal Services - Personal services reflects the net effect of an increase due to the full impact of the FY95 pay plan, annualized benefits and taxes, and an increase to offset FY94 vacancy savings. A base adjustment reflects transfer of 30.00 FTE to the Department of Social and Rehabilitation Services (SRS) for Developmental Disabilities Targeted Case Management (TCM). It is important to note, however, that although the FTE show in the FY94 base column, the related expenditures do not show in the base due to an anomoly in the state personnel system. The 1993 Legislature transferred the funding and FTE for the Targeted Case Management-DD (TCM) program from DFS to SRS beginning July 1, 1994 (FY95).

Inflation/Deflation & Fixed Costs - Operating expenses decrease approximately $922,000 each year due to TCM being appropriated in SRS by the 1993 Legislature for FY95. Therefore, present HB2 appropriations cause the adjustment from the FY94 base. Other adjustments are the result of inflation/deflation and fixed costs..

Equipment - Equipment recommended totals $33,520 in FY96 and $34,560 in FY97 for the replacement of desks, chairs, file cabinets and other obsolete office equipment.

New Proposals

Personal Services Reduction - As part of the 5% targeted personal services reduction, a vacancy savings of $85,799 in FY96 and $89,439 in FY97 is recommended for this program in order to pay for the proposed 1997 biennium pay plan. This amount is well within the historical vacancy savings in this program.

Social Worker Expansion - There are 10.00 FTE social workers added in FY96 and 5.00 FTE additional social workers in FY97, for a total of 15.00 FTE over the biennium to provide direct services to an increasing caseload of clients. The related operating expenses are budgeted at $120,000 each year of the FY97 biennium.

Equipment - An equipment request of $17,345 in FY96 and $19,350 in FY97 will provide one

photocopier in each region for services to field offices most in need, when sharing or purchasing services from the counties or other agencies is not economical.

6911-03 JUVENILE CORRECTIONS

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	202.48	.00	-23.42	179.06	.00	-23.42	179.06
Personal Services	5,907,369	465,521	-793,860	5,579,030	513,688	-800,227	5,620,830
Operating Expenses	1,369,909	553,023	807,668	2,730,600	581,284	825,325	2,776,518
Equipment	27,878	7,789	24,468	60,135	-26,418	-31,200	-29,740
Benefits and Claims	94,732	-94,732	0	0	-94,732	0	0
Total Agency Costs	**7,399,888**	**$931,601**	**$38,276**	**$8,369,765**	**$973,822**	**$-6,102**	**$8,367,608**
General Fund	6,955,547	953,714	-133,724	7,775,537	996,061	-178,102	7,773,506
State Special Revenue Fund	260,705	13,898	72,000	346,603	13,772	72,000	346,477
Federal Special Revenue Fund	183,636	-36,011	100,000	247,625	-36,011	100,000	247,625
Total Funding Costs	**7,399,888**	**$931,601**	**$38,276**	**$8,369,765**	**$973,822**	**$-6,102**	**$8,367,608**

Present Law Mandates

The goal of the division is to balance the use of secure care facilities for delinquent youth with strengthening community-based correctional services that are in the best interest of the community and its youth. The Juvenile Corrections Division operates primarily under Title 41, Chapters 3 and 5, and Title 52, Chapters 1 and 5, MCA.

Present Law Base

Personal Services - Personal services change reflects the net effect of an increase due to the full impact of the FY95 pay plan, an increase to offset FY94 vacancy savings, and benefits and longevity adjustments.

Operating Expenses - Operating expenses reflect adjustments due to inflation/deflation and fixed costs. Primarily because of transfer of data network costs to the management division, the only significant remaining adjustment is for consulting services and contracts which is a combination of about $400,000 each year for community-based services, changing budgeting for about $95,000 of life skills from benefits to contracts, and professional services with non-profits of approximately $157,000 each year.

Equipment - Equipment budgeted in FY96 is $35,667 for dorm furniture, office furniture, communications system, food service carts, replacement of household equipment-floor buffers/washers/dryers/television set. There is $1,460 in FY97 for two washers and dryers.

Benefits and Claims - As mentioned above, the life skills benefits are an operating expense base adjustment to begin accounting for them under operating rather than benefits.

New Proposals

Personal Services Reduction - A reduction of 23.42 FTE and $793,860 in FY96 and $800,227 in FY97 will meet most of the 5% reduction for the agency in order to fund the 1997 biennium pay plan. This reduction is feasible providing the new Wilderness Camp recommendation is adopted.

Wilderness Camp - The Mountain View School has historically been viewed as a secure-care correctional facility for girls. Throughout the past two years, male offenders have been introduced to the program and a curriculum of shorter duration has been put in place.

Juvenile Corrections in the State of Montana has reached a point where major decisions are needed regarding the response to adjudicated youth committed to its care. Facilities are old and not appropriate for continued utilization for populations consistent with numbers of youth served in previous years. Montana needs to either increase the capacity of secure-care facilities to accommodate youth court demands or make adjustments in the manner in which the state responds to referred youth.

A study of the juvenile justice system, with assistance from national experts, suggests that Montana is over utilizing secure-care institutions for adjudicated youth. Studies have indicated that a significant number of referred youth can more appropriately be served in alternative programs rather than training school campuses. Moreover, secure-care beds are proven to be expensive and not as effective as alternative programs.

This Mountain View School Wilderness Camp proposal is a four-phase program as follows;

1. Observation and Assessment - A maximum length of stay of four weeks will be needed to establish a base line of behavior and aptitude for further placement
2. Wilderness Experience - This component will have a two-month length of stay to challenge barriers of opposition and defiance
3. Explorations - Length of stay will depend on the individual's resources, abilities, attitude and accomplishments during this phase, to be located at the Mountain View School
4. Aftercare and Community Support - This component will involve two-month aftercare which may include three options a) weekly family education workshops, b) individual progress tracking, and c) weekend intensives.

Advantages of revising the mission of Mountain View School to incorporate the Wilderness Camp proposal into the juvenile corrections system are as follows:

- Because of the continuity of the four phases, a significant increase in the number of youth served could be provided at a cost equal to the current school budget.
- The intensive transition and aftercare experience should reduce recidivism.
- Costs currently devoted to secure-care placement would be reduced, allowing for the shifting of funds to community-based activities.
- Fewer youth would be committed to Pine Hills School which would create a manageable population census and enable a longer length of stay for serious offenders.
- Division aftercare emphasis would be directed to only those youth leaving Pine Hills School.
- Community-based emphasis would be encouraged.
- Refinancing opportunities would be increased.
- Accountability of adjudicated youth would be emphasized through community, National Forest Service, Bureau of Land Management, Montana Conservation Corps, Montana National Guard and Department of State Lands work projects.
- Program intensity would place additional meaningful demands on youth in the program.

The proposed Wilderness Camp at the Mountain View School campus is a viable response to identified state and youth needs. It provides for revised use of the Mountain View School campus to serve both girls and boys. The Long-Range Building Program includes funds to adapt Pine Hills School to provide secure detention for the small number of girls who require such a facility.

The executive new proposal for the Wilderness Camp contains funding of $793,860 in FY96 and $800,227 in FY97, all budgeted in contracted services. The new proposal funding is general fund of $621,860 in FY96 and $628,227 in FY97; state special revenue parental contributions of $72,000 in FY96 and $72,000 in FY97; and federal special revenue of $100,000 in FY96 and $100,000 in FY97. The proposal enables increases in parental contributions because of the

department's participation in youth court pre-sentencing hearings. If, during these hearings, it is determined that the parents are able to participate, the youth court could so order. Moreover, it is likely that increased federal special revenue will be possible because the Mountain View School would no longer be classified as a secure detention facility, thereby making Title IV-E funding available.

The total recommended authority for the Mountain View School is $2,249,947 in FY96 and $2,249,370 in FY97.

Equipment - Equipment requests are as follows: Pine Hills School for $58,500 in FY96, Mountain View School for $9,500 in FY96, Youth Evaluation Center for $4,968 in FY96, and After Care Services for $2,000 in FY96, for a total of $74,968 to cover purchases and of industrial equipment, furniture, appliances, household and office equipment. There were no new non-discretionary equipment requests in FY97.

Vehicle Leases - This executive proposal does not change the number of vehicles operated by state agencies; it merely places responsibility for managing these vehicles with the state motor pool. This proposal would eliminate the scheduled purchase of replacement vehicles as reflected in the present law base and replace this amount with the estimated rental charges paid to the motor pool. Gasoline and maintenance costs also are reduced since these items are covered under the motor pool rental rate. This new proposal is contingent upon approval of the associated new proposal contained in the executive budget for the DoT motor pool. The department would lease a total of eight vehicles during the 1997 biennium, with five in FY96 and three in FY97. The net general fund savings would be approximately $50,500 in FY96 and $31,200 in FY97.

6911-05 PROGRAM MANAGEMENT DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	29.00	.00	-1.00	28.00	.00	-1.00	28.00
Personal Services	964,520	137,181	-39,987	1,061,714	143,231	-40,143	1,067,608
Operating Expenses	1,062,032	2,307,719	542,965	3,912,716	2,309,742	577,825	3,949,599
Equipment	50,186	-50,186	0	0	-50,186	0	0
Grants	7,430,556	529,145	4,059,617	12,019,318	529,145	4,158,893	12,118,594
Benefits and Claims	23,303,177	1,328,386	0	24,631,563	2,978,437	45,872	26,327,486
Transfers	0	137,000	0	137,000	137,000	0	137,000
Total Agency Costs	32,810,471	$4,389,245	$4,562,595	$41,762,311	$6,047,369	$4,742,447	$43,600,287
General Fund	17,451,208	840,155	4,060,648	22,352,011	2,196,695	4,206,079	23,853,982
State Special Revenue Fund	1,626,876	22,769	0	1,649,645	22,771	0	1,649,647
Federal Special Revenue Fund	13,732,387	3,526,321	501,947	17,760,655	3,827,903	536,368	18,096,658
Total Funding Costs	32,810,471	$4,389,245	$4,562,595	$41,762,311	$6,047,369	$4,742,447	$43,600,287

Present Law Mandates

The division provides program management, administrative services, technical assistance, and training to the department Child Protective Services Program and Aging Service Program. The base program operates primarily under Title 41, Chapters 3 and 4; Title 52, Chapters 1, 2 and 3; and Title 53, Chapters 4, 6 and 20, MCA.

Present Law Base

Personal Services - Personal services change reflects the net effect of an increase due to the full impact of the FY95 pay plan, an increase to offset FY94 vacancy savings and adjustments for benefits and taxes.

Operating Expenses - Refinancing accounts for a $1,907,820 increase in federal authority each year of the 1997 biennium in operating costs. Another increase is Day Care supportive services funded with federal special revenue. Other increases are mostly due to fixed costs and adjustments for inflation/deflation. Residential Treatment Center (RTC) Medicaid match base authority of $1,393,017 was transferred to the Mental Health Division of the Department of Corrections and Human Services, Managing Resources Montana (MRM) Program.

Equipment - The net present law base adjustment is a negative $50,186 each year of the 1997 biennium. There is no equipment requested during FY96 and FY97.

Grants - Aging, Domestic Violence and Day Care grants increases comprise the major portion of the present law adjustments which total $529,145 each year of the 1997 biennium.

Benefits and Claims - The net present law adjustment for benefits and claims is $1,328,386 in FY96 and $2,978,437 in FY97. The major portions of the increases are due to Supplemental Security Income, Day Care benefits, Alcohol and Drug Treatment, Independent Living (Foster Care), Therapeutic Group Homes, Refinancing, Foster Care Rate Increases, and Day Care Provider Rate increases. Included under Benefits and Claims are the executive recommendations for a base provider rate increase of 1.5% for the following non-medicaid providers: 1) Day Care, $70,707 in FY96 and $70,479; 2) Foster Care, $222,753 in FY96 and $448,847; 3) Foster Care case load increase, $424,390 in FY96 and $1,668,354 in FY97; 4) SSI payments due to MDC redesign, $20,304 in FY97; 5) Big Brothers/Big Sisters, $2,729 in FY96 and $5,498 in FY97; 6) Chemical Dependency Treatment, $3,200 in FY96 and $6,447 in FY97; 7) Domestic Violence, $1,665 in FY96 and $3,355 in FY97.

Transfers - This present law base adjustment represents transfer payments of $137,000 each year of the 1997 biennium for DD programs conducted by SRS for foster care children in the custody of DFS. Previously, DFS transferred operating authority to SRS from the Foster Care budget.

New Proposals

Personal Services Reduction - This executive proposal identifies a reduction of 1.00 FTE for $39,987 in FY96 and $40,143 in FY97 for the purpose of funding the 1997 biennium pay plan.

Community Impact Program - Families and communities provide the best environment for meeting the needs of troubled youth. While Montanans share this value, communities must have resources and support to succeed in this challenge. As these youth remain in schools and communities, the Community Impact Program will provide the resources to ensure a safe, orderly, and effective approach to service delivery, and hold youth accountable for their actions.

The Governor's proposal to invest $8.2 million during the 1997 biennium in programs for kids is designed to maintain and expand local community-based services. More children with behavioral or emotional disorders are being served today at the community level than ever before, and Montana should be proud of this fact.

Currently, services to youth with severe emotional disturbance (SED), to abused and neglected youth, and to juvenile delinquent youth are reasonably defined and available. As more and more youth remain in their own communities, however, youth "in the middle" who are disrupting classrooms and neighborhoods need specifically designed services. After two years of experience with MRM, it is clear that this proposal is needed to address a remaining gap in services.

The Community Impact Program will extend the partnership of the state with local communities by

providing flexible funding to support local community development of services that meet the service needs of difficult-to-serve youth. The target population for these funds are youth not adequately served by other child and adolescent programs such as Managing Resources Montana (MRM), Medicaid, Protective Services, Juvenile Justice or Special Education.

The Community Impact Program recognizes the need to continue the collaborative efforts being exercised by communities to ensure elimination of duplication of effort and costs. The funds will be administered by DFS and made available through local DFS advisory councils working with public schools, law enforcement and mental health councils. The state will help by providing the application guidelines and the funds. Local communities will have the opportunity to develop a coordinated response that supports family unity and community safety. Responses will vary depending on the needs of the children and the resources of the local community.

Examples of under-served and most-difficult-to-serve youth populations are the sexual offenders and the conduct disorder youth. The Community Impact Program, in concert with the managed care program recommended in the SRS budget, will enable Montana communities to provide continuity of services and to develop appropriate (long- or short-term) community service plans for unserved youth.

The program funds will be distributed in accordance with guidelines established by DFS in collaboration with Department of Corrections and Human Services, Montana Board of Crime Control, Youth Court services, Office of Public Instruction, federal programs of Indian Health Services and Bureau of Indian Affairs, Department of Health and Environmental Sciences, and representative local agencies. Some grants may be matched through managed care, juvenile probation federal funds, other federal child and youth programs, and community not-for-profit service agencies. Local DFS advisory councils will serve as clearing houses for these funds for their respective catchment areas. DFS, in collaboration with the other agencies, will establish and conduct evaluation and quality assurance review for these programs. Continued state support of the programs developed under the grants is anticipated; however, clear evaluation processes will be included as a condition of receipt in order to ensure services are effective.

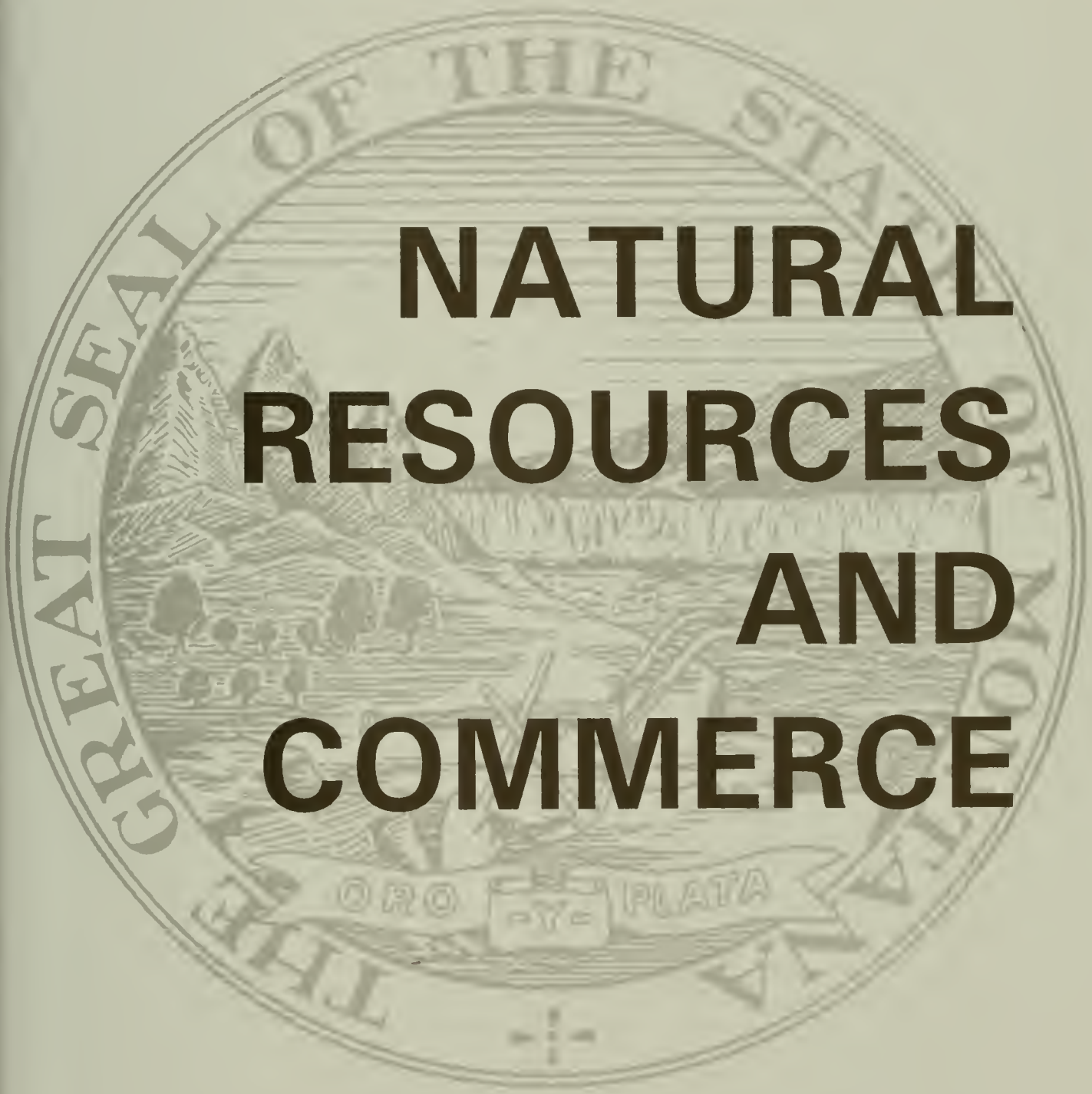
The executive is recommending that the general appropriations act contain the following language: "Item [] Community Impact Program authority unexpended in FY96 is appropriated in FY97."

Day Care Provider Rate Increase - The executive recommends a $0.50 a day rate increase for day care providers in addition to the 1.50% increase recommended for the other non-medicaid providers. This proposal, for the amount in excess of the 1.50% contained in the present law base adjustments, is $61,360 in FY96 and $61,587 in FY97. The federal Child Care Development Block Grant indicates that providers be paid at the 75th percentile of the market rate determined by a survey of day care services. This proposal represents a "good faith" effort to reach the 75th percentile. The increase in the present law base in this proposal will be applied by the department on a prorata basis, in order to approach the 75th percentile.

Eastmont Closure - The Department of Corrections and Human Services recommends closing Eastmont. More clients would be placed in community-based programs and, therefore, would be eligible to receive SSI benefits. The DFS cost is $45,872 for FY97.

Family Preservation and Support Services Grant - The grant is part of the Omnibus Reconciliation Act of 1993, subpart 2 of Title IV-B, the Child and Family Services Program of the Social Security Act. These new federal funds are provided to state and child welfare agencies for preventive services and services to families at risk or in crisis. The grant amount totals $481,605 for FY96 and $516,238

for FY97.



NATURAL RESOURCES AND COMMERCE

MISSION STATEMENT: To fairly balance the long term interests of Montana utility and transportation companies and the customers they serve.

4201-01 PUBLIC SERVICE REGULATION PROG

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	44.50	.00	.00	44.50	.00	.00	44.50
Personal Services	1,658,149	18,783	-70,964	1,605,968	25,954	-71,456	1,612,647
Operating Expenses	437,380	146,357	5,000	588,737	36,482	5,000	478,862
Equipment	3,878	69,824	4,000	77,702	13,572	0	17,450
Total Agency Costs	**2,099,407**	**$234,964**	**$-61,964**	**$2,272,407**	**$76,008**	**$-66,456**	**$2,108,959**
State Special Revenue Fund	2,080,070	228,633	-64,464	2,244,239	69,677	-68,956	2,080,791
Federal Special Revenue Fund	19,337	6,331	2,500	28,168	6,331	2,500	28,168
Total Funding Costs	**2,099,407**	**$234,964**	**$-61,964**	**$2,272,407**	**$76,008**	**$-66,456**	**$2,108,959**

Present Law Mandates

It is the responsibility of the Public Service Commission to supervise and regulate the operations of public utilities, common carriers, railroads, and other regulated industries, as provided in Title 69, Chapter 1, part 1, MCA.

Present Law Base

Personal Services - The base adjustments of $18,783 in FY96 and $25,954 in FY97 are due to the annualization of the pay plan, adjustments for longevity and employee benefit rates, staff turnover, vacancy savings, and completion of training assignments.

Operating Expenses - FY96 base adjustments include a $100,000 biennial appropriation for consultants. This is the same amount that was appropriated for the 1995 biennium. In addition $13,141 was included in each year of the biennium for court reporter costs. Fixed costs increase by $25,509 in FY96 and $9,858 in FY97, office rent costs increase by $29,829 in FY96 and $35,556 in FY97 because FY94 reflects only ten months, and travel costs were returned to the FY95 appropriated level. National Association of Regulatory Utility Commissioners (NARUC) increased dues by $2,878 annually.

Equipment - Recommended replacement equipment includes a vehicle and software upgrades in each year of the biennium. In addition the FY96 recommendation includes a file server, six personal computers, a dot matrix printer, three lap top computers, and a microfiche reader/printer.

New Proposals

Personal Services Reductions - Vacancy savings of $70,964 in FY96 and $71,456 in FY97 is recommended. There would be no reduction of FTEs as part of the pay plan funding.

Master Meter - Reauthorization of the Master Meter Program is being requested. The program was initially established to identify master meter operators in the state who would fall under the Pipeline

Safety Program. The operator identification process will be completed in the 1995 biennium. The agency is requesting authority of $5,000 in each year of the 1997 biennium to be used for training and assisting the identified operators in complying with the rules and regulations. Funding would be 50% state special revenue, 50% federal. Language in HB2 restricted the Office of Budget and Program Planning and the Legislative Fiscal Analyst from including 1995 biennium expenditures in the 1997 biennium base budget.

Color Printer - There is $4,000 state special revenue requested in FY96 to purchase a color printer. This is a new piece of equipment and not a replacement.

Funding

The Public Service Regulation Program is funded primarily by a fee on regulated companies equal to the amount appropriated to the commission by the legislature for a particular year, which is deposited directly into a state special revenue account. In addition, $25,668 is available each year of the biennium from the U.S. Department of Transportation to help support the Natural Gas Pipeline Safety Program.

Department of Fish, Wildlife & Parks

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	554.95	-3.58	-6.91	544.46	-3.58	-6.16	545.21
Personal Services	17,870,078	390,045	646,028	17,614,095	476,340	-631,182	17,715,236
Operating Expenses	12,269,362	2,023,944	2,076,612	16,369,918	817,064	1,996,837	15,083,263
Equipment	1,442,896	99,499	370,458	1,912,853	-298,685	381,480	1,525,691
Grants	269,127	746,733	0	1,015,860	31,733	0	300,860
Benefits and Claims	9,497	5,503	0	15,000	5,503	0	15,000
Transfers	193,195	3,023,115	0	3,216,310	3,114,865	0	3,308,060
Debt Service	31,737	-31,737	0	0	-31,737	0	0
Total Agency Costs	**32,085,892**	**$6,257,102**	**$1,801,042**	**$40,144,036**	**$4,115,083**	**$1,747,135**	**$37,948,110**
General Fund	288,024	-14,247	12,000	285,777	-23,184	20,000	284,840
State Special Revenue Fund	22,698,310	2,722,119	426,796	25,847,225	1,432,674	418,760	24,549,744
Federal Special Revenue Fund	7,019,742	3,284,868	1,209,981	11,514,591	2,830,966	1,124,276	10,974,984
Proprietary Fund	2,079,816	264,362	152,265	2,496,443	-125,373	184,099	2,138,542
Total Funding Costs	**32,085,892**	**$6,257,102**	**$1,801,042**	**$40,144,036**	**$4,115,083**	**$1,747,135**	**$37,948,110**
Administration & Finance Div.	4,900,804	665,580	120,958	5,687,342	412,914	223,319	5,537,037
Field Services Division	2,178,999	215,360	137,349	2,531,708	244,279	214,138	2,637,416
Fisheries Division	5,337,951	1,971,194	212,826	7,521,971	2,039,225	97,380	7,474,556
Law Enforcement Division	4,802,615	289,479	90,831	5,182,925	322,470	97,473	5,222,558
Wildlife Division	5,965,181	1,524,203	981,801	8,471,185	368,329	861,038	7,194,548
Parks Division	4,539,511	1,127,142	52,211	5,614,442	347,359	-26,549	4,860,321
Conservation Education Div	1,767,518	82,043	55,082	1,904,643	-19,343	51,282	1,799,457
Department Management	2,593,313	382,101	254,406	3,229,820	399,850	229,054	3,222,217
Total Program Costs	**32,085,892**	**$6,257,102**	**$1,801,042**	**$40,144,036**	**$4,115,083**	**$1,747,135**	**$37,948,110**

MISSION STATEMENT: Through our employees and citizen commission, to provide for the stewardship of the fish, wildlife, parks and recreational resources of Montana while contributing to the quality of life for present and future generations.

It is acknowledged that the Fish, Wildlife and Parks Commission has concerns or objections with the executive budget recommendation for the Department of Fish, Wildlife and Parks. Specifically: 1) The 5% personal services reduction including the reduction of 11.00 FTE. 2) Deletion of the water safety 2.00 FTE, which are included in the total reduction of 11.00 FTE. 3) $1.1 million match for $3.5 million of federal funds to be used for environmental enhancement in connection with the rehabilitation and enlargement of the Tongue River Dam.

5201-01 ADMINISTRATION & FINANCE DIV.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	52.88	.00	.00	52.88	.00	.75	53.63
Personal Services	1,525,011	78,335	-48,347	1,554,999	85,749	-29,509	1,581,251
Operating Expenses	2,360,412	382,963	91,027	2,834,402	387,730	156,892	2,905,034
Equipment	840,372	90,481	78,278	1,009,131	-129,716	95,936	806,592
Transfers	175,009	113,801	0	288,810	69,151	0	244,160
Total Agency Costs	**4,900,804**	**$665,580**	**$120,958**	**$5,687,342**	**$412,914**	**$223,319**	**$5,537,037**
State Special Revenue Fund	2,788,473	598,922	-5,854	3,381,541	547,789	37,135	3,373,397
Federal Special Revenue Fund	463,862	-29,156	0	434,706	-40,911	37,500	460,451
Proprietary Fund	1,648,469	95,814	126,812	1,871,095	-93,964	148,684	1,703,189
Total Funding Costs	**4,900,804**	**$665,580**	**$120,958**	**$5,687,342**	**$412,914**	**$223,319**	**$5,537,037**

Present Law Mandates

The program work is mandated primarily in Title 17, Chapters 101, 102 and 105, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, longevity and employee benefits, upgrades of eight positions, and downgrades of two positions.

Operating Expenses - Fixed operating expenses increased by $176,396 in FY96 and $139,440 in FY97. Printing costs will increase by $67,297 in FY96 and $59,797 in FY97 primarily due to the switch to pressure seal forms (forms that are folded, stuffed, and sealed at the same time, similar to state warrants). U.S. Postal Service scanners are unable to read the window mailers currently used by the agency, so the decision was made to go with the new form. Printing of "over the counter" licenses was unusually low in FY94 and a base adjustment has been made to bring the projected costs up to a two-year average. Projected printing costs in FY96 also include a one-time printing cost of $7,500 for 500 copies of an agency personnel manual.

License agents receive a $0.50 commission for every license sold. Using a projected sales increase of 3.3% per year, an adjustment to the base budget of $41,491 in FY96 and $59,250 in FY97 was made from commissions.

The warehouse provides uniforms, specialty items unique to the agency, and items that are unavailable in the field. During FY94 purchases were cut in order to reduce inventory levels. There is $56,317 added to the base in order to maintain appropriate inventory levels. The requested authority is approximately $40,000 less per year than was appropriated for the 1995 biennium.

Other base adjustments include $5,000 each year to contract for federally mandated drug testing for certain employees; in-state travel for consulting, training, and inventory purposes; and postage and mailing costs in association with additional agency surveys.

Equipment - There is $930,853 in FY96 and $710,656 in FY97 recommended requested for equipment replacement. Of these amounts, $823,503 in FY96 and $602,616 in FY97 is requested for replacement of vehicles in the agency vehicle fleet, and $100,000 each year is for replacement of obsolete computer equipment. The balance of the request is for other minor equipment.

Transfers - There is $60,000 per year of authority for unanticipated federal and private funds. More commonly known as legislative contract authority (LCA), this has been authorized by the legislature in prior sessions since 1987. The balance in transfers is for the vehicle differential transfer.

New Proposals

Personal Services Reductions - Personal services would be reduced by $48,347 in FY96 and $49,009 in FY97 in order to achieve the 5% reduction contained in the executive budget for 1997 biennium pay plan funding.

Admin/Finance Equipment - General license funds of $18,320 in FY96 and $24,140 in FY97 are being requested for the purchase of new equipment: $18,000 each year is for computers for field wardens, biologists, clerical and professional staff; $3,000 for a TIG and stick welder; and $2,300 for a tire balancer are requested in FY97. The balance of the request is for computer stations.

Migratory Bird Harvest Survey - The federal Fish and Wildlife Service is requiring all states to survey migratory bird hunters in a format and frequency outlined by the federal government. States must comply with the new requirements by 1998. It will be necessary for the agency to redesign licenses, converting names and addresses into an electronic format and working with license agents to remit licenses more frequently. The survey will allow for better harvest information on migratory birds and improve the season-setting process. The agency is requesting a 0.75 FTE and operating costs for a total of $75,000 in FY97. The survey will be supported 50% with general license funds and 50% federal Pittman-Robertson funds.

Vehicle Proprietary Account - Additional vehicle proprietary fund authority of $150,985 in FY96 and $173,188 in FY97 is being requested in order to, first, provide vehicles based on agency new proposals. The current fleet does not have excess vehicles for new or expanded programs. The amounts of $110,984 in FY96 and $133,188 in FY97 are based on estimated vehicle usage needs. Second, to provide aircraft support for the wildlife survey and inventory support new proposal, $40,000 in each year of the biennium is requested. Much of the survey work will be conducted in agency aircraft.

Funding

The program funding is 59% in FY96 and 61% in FY97 of general license state special revenue, 8% from federal sources, and 33% in FY96 and 31% in FY97 of proprietary funds.

5201-02 FIELD SERVICES DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	36.03	.05	-3.50	32.58	.05	-3.50	32.58
Personal Services	996,803	111,932	-108,901	999,834	117,657	-109,862	1,004,598
Operating Expenses	1,130,332	140,292	242,000	1,512,624	157,986	318,000	1,606,318
Equipment	42,367	-42,367	4,250	4,250	-36,867	6,000	11,500
Benefits and Claims	9,497	5,503	0	15,000	5,503	0	15,000
Total Agency Costs	2,178,999	$215,360	$137,349	$2,531,708	$244,279	$214,138	$2,637,416
State Special Revenue Fund	1,561,770	251,234	-15,651	1,797,353	288,887	2,138	1,852,795
Federal Special Revenue Fund	490,979	-58,732	123,000	555,247	-57,466	168,000	601,513
Proprietary Fund	126,250	22,858	30,000	179,108	12,858	44,000	183,108
Total Funding Costs	2,178,999	$215,360	$137,349	$2,531,708	$244,279	$214,138	$2,637,416

Present Law Mandates
The program work is mandated in Titles 23 and 87, MCA.

Present Law Base
Personal Service - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, program transfer of FTE, and 1.00 FTE upgrade.
Operating Expenses - Increases are $140,292 in FY96 and $157,986 in FY97 above the FY94 base. The increases are due to a base adjustment of $25,000 in FY96 and $35,000 in FY97 because of the increased demand and cost of construction materials to protect haystacks on private lands; and routine aircraft repair and maintenance that is expected to be $30,000 in FY96 and $20,000 in FY97 over the FY94 base of $32,995.

A combination of general increases in taxes, special improvement district assessments and additional acquisitions of property result in an increased tax liability of $24,000 in FY96 and $12,000 in FY97. Fixed costs increase by $10,010 in FY96 and $10,761 in FY97.

Contracted services increase by $20,091 in each year of the biennium over the FY94 base. Maintenance contracts increased by $2,012 in each year to cover engineering and design hardware.

The travel base adjustment of $24,000 each year of the biennium is necessary in order to bring the Block Management Program up to its full authorization provided by the 1993 Legislature. Many landowners were reluctant to enroll in the program due to concerns over recreational access to state trust lands. With this issue being resolved, more landowners are interested in the program.
Equipment - Replacement equipment is being requested in FY97 with $4,500 for three bear traps and $1,000 for a magnetic locator necessary for surveying.
Benefits and Claims - Landowners who allow public access to their private land are compensated for livestock losses due to hunters. With increased participation in the Block Management Program, it is anticipated there will be increased livestock losses. The FY94 base was increased by $5,503 in each year of the biennium.

New Proposals
Personal Services Reduction - The proposal calls for the reduction of $138,868 in FY96 and $139,931 in FY97 of personal services including 4.70 FTE in each fiscal year. The reduction would be made in general license account funds to provide funding for the proposed 1997 biennium pay plan.

Field Services Equipment - The request includes $4,250 for aircraft navigation and office equipment in FY96, and $6,000 for a microfiche reader/printer in FY97. The new equipment request will be supported with $8,250 of general license funds and $2,000 of proprietary account funds.

R-7 Block Management - This proposal would accelerate completion of the Region 7 Block Management Program objective through incentives to landowners. The primary focus is on maintaining free public access to private lands with deer and antelope hunting opportunities. The project would be supported with general license funds and federal special revenue funds.

Aircraft Maintenance - In FY96 the engine for the Bell 47 helicopter is scheduled for replacement at a projected cost of $28,000, and the blade grips are scheduled for replacement in FY97 costing approximately $4,000. In order to meet manufacturer and FAA requirements, a transmission overhaul for the MD500 helicopter is scheduled in FY97 at a projected cost of $26,000. The engine for the 6110A Super Cub is scheduled for replacement in FY97 at an estimated cost of $14,000. This proposal would be supported with proprietary account funds.

Funding

The program funding is 76% state special, 18% federal, and 6% proprietary.

5201-03 FISHERIES DIVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	106.69	-1.10	-.50	105.09	-1.10	-.50	105.09
Personal Services	3,513,106	-24,638	-104,964	3,383,504	-8,257	-106,307	3,398,542
Operating Expenses	1,660,063	293,967	220,000	2,174,030	135,114	140,000	1,935,177
Equipment	120,948	199	97,790	218,937	34,302	63,687	218,937
Grants	28,500	50,000	0	78,500	50,000	0	78,500
Transfers	15,334	1,651,666	0	1,667,000	1,828,066	0	1,843,400
Total Agency Costs	**5,337,951**	**$1,971,194**	**$212,826**	**$7,521,971**	**$2,039,225**	**$97,380**	**$7,474,556**
State Special Revenue Fund	2,679,554	399,446	47,165	3,126,165	276,058	9,074	2,964,686
Federal Special Revenue Fund	2,658,397	1,571,748	165,661	4,395,806	1,763,167	88,306	4,509,870
Total Funding Costs	**5,337,951**	**$1,971,194**	**$212,826**	**$7,521,971**	**$2,039,225**	**$97,380**	**$7,474,556**

Present Law Mandates

The program work is mandated primarily in Title 87, Chapters 1, 3 and 5, MCA.

Present Law Base

Personal Services - Base adjustments reflect the annualization of the pay plan, adjustments for longevity and employee benefits, program transfers of positions, upgrades of 18.25 FTE, and downgrades on 5.00 positions.

Operating Expenses - The agency is requesting two biennial appropriations. First, $75,000 for water leasing studies and purchase of water leases. Water leasing is a complex process where the agency leases private consumptive water rights to maintain instream flows. The complexity and uncertainty of the process makes it difficult to determine when the funds will be spent.

Second, $40,000 for the evaluation of fish introductions through funding for consultants to prepare environmental reviews. Four new non-biennial contracts for the 1997 biennium are recommended. 1) $20,000 per year in the 1997 biennium with International Association of Fish and Wildlife Agencies (IAFWA), the National Biological Survey, and the U.S. Fish and Wildlife Service to begin a five-year cooperative state and federal study to obtain approval of drugs for public fish production (July 1, 1994- June 30,1999). 2) $7,800 each year of the biennium with the Columbia Basin Fish and Wildlife Foundation and the Pacific State Marine Fisheries Commission to develop, implement and manage regional investigational new animal drug exemptions required for the use of certain drugs and chemicals for fish disease control. 3) $20,000 per year contract for the development of a bull trout recovery program for Montana. 4) $5,000 per year contract for preparation of detailed management objectives and tasks formulated by sub-basins within the Yellowstone River drainage as part of the Yellowstone Cutthroat Trout Management Guide.

The agency also contracts with the USGS on a 50/50 fund match to operate stream gauges and thermograph stations on important fishing streams in the state to protect water rights and monitor long-term effects of flows and temperatures on fish populations. This is an ongoing long-term contract with funding of $56,000 in FY96 and $59,000 in FY97.

Operating expense base adjustment increases, excluding contracted services, amount to $107,792 in FY96 and $64,939 in FY97. Travel expenses increase by $54,090 in FY96 and $68,657 in FY97 above the FY94 actual, adjusting for full staffing in the 1997 biennium. Cyclical

adjustments are for the printing of fishing regulations during the even numbered years at an average cost of $50,000, and during the odd numbered years printing the addendum and additional regulations at a cost of $20,000. Also, the statewide harvest surveys are conducted every other year during even numbered years with an average cost of $75,000. During odd numbered years, the data is analyzed and reports prepared at an average cost of $30,000.

Grants - The base includes a $28,500 per year cooperative grant to conduct specific fisheries research projects for the agency under a long-term cooperative agreement between the agency, the USFWS, and University of Montana. Two FY94 contracts are being moved from contracted services to grants: 1) a grant with the University of Montana to conduct genetic analysis of fish tissue in the amount of $25,000 each year of the 1997 biennium; and 2) an annual $25,000 competitive grant(s) to Montana colleges and universities for selected fishery and aquatic research topics.

Transfers - Legislative contract authority (LCA) of $1,667,000 in FY96 and $1,843,400 in FY97 is requested for unanticipated federal and private funds. This is consistent with LCA authorized by the legislature in prior sessions.

New Proposals

Personal Services Reductions - There is a reduction of 1.50 FTE and total personal services would be reduced by $139,658 in FY96 and $141,125 in FY97 for the purpose of providing funding for the recommended 1997 biennium pay plan.

Clark Fork Investigation - This proposal allows the agency to continue work with the Natural Resource Damage Assessment Team to accumulate ecological and biological data needed to assist the state's effort in establishing the value of resources lost in the Clark Fork floodplain because of past mining practices. A lawsuit is pending. The request is for 1.00 FTE and $54,694 in FY96 and $54,818 in FY97 financed with general license and federal Dingell-Johnson revenues. Language in HB2 from the 1993 session restricted the Office of Budget and Program Planning and the Office of the Legislative Fiscal Analyst from using actual expenditures in the current level base. Language also requires the agency to seek reimbursement for all expenses incurred in association with the assessment and litigation, in the pending lawsuit, with the reimbursement to include interest on the amount commensurate with rates earned in the short-term investment pool.

Fisheries PEIS - Prepare a programmatic environmental impact statement (PEIS) to analyze the primary actions of the fisheries program. The PEIS will define the scope of the issues that affect fisheries management and alternative methods of achieving the program goals and objectives. The PEIS will consider the environmental, social and economic impacts of these actions on the human environment. Requested $200,000 in FY96 and $120,000 in FY97 supported with general license and federal Dingell-Johnson revenues.

Fisheries Equipment - New equipment of $97,790 in FY96 and $63,687 in FY97 includes two boats, two outboard motors, a electroshocker and generator, and a forklift for the Blue Water Hatchery. This request would be funded with general license and federal Dingell-Johnson revenues.

Funding

The FY96 budget is funded 42% state special revenue and 58% federal funds, while the FY97 request is 40% state special revenue and 60% federal funds.

5201-04 LAW ENFORCEMENT DIVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	96.23	.00	-2.00	94.23	.00	-2.00	94.23
Personal Services	3,582,481	20,188	-111,069	3,491,600	36,603	-109,427	3,509,657
Operating Expenses	1,141,176	185,249	137,000	1,463,425	209,325	137,000	1,487,501
Equipment	47,221	35,779	64,900	147,900	28,279	69,900	145,400
Transfers	0	80,000	0	80,000	80,000	0	80,000
Debt Service	31,737	-31,737	0	0	-31,737	0	0
Total Agency Costs	**4,802,615**	**$289,479**	**$90,831**	**$5,182,925**	**$322,470**	**$97,473**	**$5,222,558**
State Special Revenue Fund	4,640,985	303,155	109,959	5,054,099	334,435	115,838	5,091,258
Federal Special Revenue Fund	161,630	-13,676	-19,128	128,826	-11,965	-18,365	131,300
Total Funding Costs	**4,802,615**	**$289,479**	**$90,831**	**$5,182,925**	**$322,470**	**$97,473**	**$5,222,558**

Present Law Mandates

The program work is mandated in Title 23, MCA.

Present Law Base

Personal Service - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, upgrades for 12 positions, and one position being downgraded.

Operating Expenses - The overall increase is $185,249 in FY96 and $209,325 in FY97, of which the majority or $104,500 each year of the 1997 biennium is for contracted services. The contracted services request includes: $29,000 for the Game Farm Program to do environmental assessments and impact statements; $41,000 for license fraud investigations and the programming of the data; $20,000 to contract for additional law enforcement services for emergencies or peak times which are provided by retired game wardens, certified and trained peace officers, or other qualified personnel; and $14,500 for miscellaneous short-term contracts such as bison control. Travel increases by $47,184 in FY96 and by $74,367 in FY97. This primarily is due to the inflation factors of 6% and 12%, respectively, that were applied to the department's motor pool charges. Other increases include $11,803 for laboratory testing in the Game Farm Program and $1,600 in communication costs.

Equipment - There is $28,000 of federal water safety funds requested each year of the biennium for Boat Safety Program replacement of the jet boat and trailer used on the Yellowstone River in the Miles City area, the patrol boat at Seeley Lake, the boat used at the Clark Canyon Reservoir, and the boat used on Holter Lake. The warden equipment request is $55,000 in FY96 and $47,500 in FY97. Items to be replaced includes 15 snowmobiles, ten saddle horses to be used in the back country, particularly in the northern Continental Divide/Bob Marshall Wilderness area, one horse trailer, and a trail bike.

Transfers - There is recommended $60,000 per year for authority to spend unanticipated federal and private funds. More commonly known as legislative contract authority (LCA), it has been authorized by the legislature in prior sessions.

New Proposals

Personal Services Reductions - There would be a reduction of 2.00 FTE and a total personal services reduction of $141,069 in FY96 and $142,427 in FY97 in compliance with the targets established to fund the 1997 biennium pay plan.

Warden Relocation - Moving a warden's family and their possessions to the new assignment is $37,000 each year of the biennium supported with general license revenue. Language contained in HB2 from the 1993 legislative session restricts the Office of Budget and Program Planning and the Office of Legislative Fiscal Analyst from including the actual expenditures in the current level base.

Enforcement Equipment - There is $64,900 in FY96 and $69,900 in FY97 of state special revenue to purchase new equipment. The request includes $10,400 each year for Motorola MT-100 type portable radios that will enable the officers to have communication capabilities when away from their vehicles; $27,500 each year for ten ATVs which are proving to be the single most useful piece of equipment available for the game wardens; $5,000 in FY96 and $4,500 in FY97 for six riding saddles and five pack saddles to be used for backcountry patrols; two new horse trailers at an estimated cost of $5,500 each; and a river raft with rowing frame, trailer and associated equipment for patrolling on the Dearborn and Smith Rivers at a projected cost of $5,500 in FY97.

Law Enforcement Travel - The agency is requesting $100,000 in travel appropriation authority each year of the biennium and an additional $30,000 each year for overtime. The funding is 97% state special revenue and 3% federal.

Statutory Appropriation - A percentage of fishing and hunting fines are transferred to finance the unfunded liability in the wardens' retirement system. These payments are statutory in accordance with 19-8-504, MCA. There is $275,000 requested each year and shown in the front summary section of the executive budget.

Funding

The program funding is 97% state special revenue and 3% federal funds. .

5201-05 WILDLIFE DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	100.46	-2.53	-1.00	96.93	-2.53	-1.00	96.93
Personal Services	3,343,521	81,423	-113,534	3,311,410	96,913	-114,807	3,325,627
Operating Expenses	2,511,049	463,791	1,088,485	4,063,325	-655,633	971,845	2,827,261
Equipment	96,657	-2,417	6,850	101,090	-14,357	4,000	86,300
Grants	13,954	13,406	0	27,360	13,406	0	27,360
Transfers	0	968,000	0	968,000	928,000	0	928,000
Total Agency Costs	**5,965,181**	**$1,524,203**	**$981,801**	**$8,471,185**	**$368,329**	**$861,038**	**$7,194,548**
State Special Revenue Fund	3,633,050	492,193	111,353	4,236,596	-623,439	82,203	3,091,814
Federal Special Revenue Fund	2,332,131	1,032,010	870,448	4,234,589	991,768	778,835	4,102,734
Total Funding Costs	**5,965,181**	**$1,524,203**	**$981,801**	**$8,471,185**	**$368,329**	**$861,038**	**$7,194,548**

Present Law Mandates

The program work is mandated in Title 87, Chapters 1 and 2, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, program transfers of positions, upgrades for 34.14 FTE, and downgrades for 2.00 FTE.

Operating Expenses - The significant increase and decrease of the FY96 and FY97 base adjustments, respectively, are due to the $1,140,00 biennial appropriation request for the upland game bird habitat enhancement program. An increase of $302,744 in FY96 and a decrease of $662,226 in FY97 are reflected in the base adjustments. The biennial appropriation will support habitat work with private landowners and government agencies.

Other operating expense base adjustments include aircraft rental, with both the department and private rentals being returned to 1995 biennium levels, and department motor pool charges being inflated by 6% in FY96 and 12% in FY97. The Nongame Program, which was previously combined with the Watchable Wildlife Program in the Conservation Education Division, has been reassigned to the Wildlife Division. Responsibilities of the Nongame Program include assessing and surveying nongame populations across the state.

Equipment - The replacement equipment request of $94,240 in FY96 and $82,300 in FY97 consists of: $48,240 for radio transmitters used in research and grizzly bear relocation, $30,000 for six snowmobiles, $25,000 to replace an Army surplus airboat for use in the Fairfield area, $35,000 for a tractor used at the Wildlife Management Area for weed mowing, $8,000 for computer software upgrades, $6,000 for a mobile scale for use at check stations, $5,500 for three horses, and the balance for miscellaneous office and field equipment.

Grants - The agency utilizes the student stipend program with the university system to conduct short term investigations of wildlife populations or wildlife habitat issues. Master degree students are used and the stipends are paid through the university grants and contracts office at a budget of $27,360 for each fiscal year.

Transfers - There is $968,000 in FY96 and $928,000 in FY97 of authority to spend unanticipated federal and private funds, commonly known as legislative contract authority (LCA).

New Proposals

Personal Services Reduction - There would be a reduction of 1.00 FTE in each year of the 1997 biennium and $113,534 of personal services funding in FY96 and $114,807 in FY97. The funding reduction would be 48% general license funds and 52% Pittman-Robinson federal funds made available for the 1997 biennium pay plan.

Black Bear Research - The black bear environmental impact statement completed in 1994 recommended thirty management actions for consideration in establishing the management program including research needs. This proposal for $119,900 each year of the biennium would allow the agency to address identified areas where information was incomplete or lacking. The funding is 25% general license funds and 75% Pittman-Robertson federal funding.

Black Footed Ferret - The reintroduction of the black footed ferret to north central Montana will become the responsibility of the state in FY96. The program has been developed in close cooperation with local landowners. The initial research phase will be conducted by the U. S. Fish and Wildlife Service (USFWS) with the state assuming ongoing management and release. Requested $50,000 of federal Pittman-Robertson funding for each fiscal year of the biennium.

Habitat Enhancement - The federal farm program will be up for review and the conservation reserve program (CRP) portion is likely to be modified. The agency is proposing to identify those key parcels of CRP which are critical to waterfowl and upland birds. As an alternative for landowners to return lands to crop production, the agency will negotiate easements or leases to keep those parcels as part of the CRP program to maintain the wildlife benefits. Current CRP lands total over 2.59 million acres and will be phased out over a five year period. Also included in this request is examining additional habitat opportunities that exist with bighorn sheep winter range in conjunction with the U.S. Forest Service and private land owners. Long-range plans have been developed to enhance key parcels along the rocky mountain front and the highlands as a major part of the bighorn sheep management.

The CRP project is budgeted with $490,000 of Pittman-Robertson federal authority each year and the bighorn sheep project is supported with $40,000 of state special revenue each year.

Wildlife Equipment - New equipment includes $5,200 for laboratory equipment, $1,600 for two snowmobile trailers, $4,050 for a Jon boat for work on small ponds, a harrow for seeding disturbed sites, and a weed sprayer for use at the Wildlife Management Area. In total $6,850 of authority is requested in FY96 and $4,000 in FY97. The funding in FY96 would be 25% general license funds and 75% federal Pittman-Robertson funds and in FY97 the funding would be 59% general license funds and 41% federal Pittman-Robertson.

Survey & Inventory - Survey and inventory of wildlife species are primary activities in the wildlife program. Aerial and ground surveys of game species are done annually to establish hunting season frameworks and annual permit quotas. In addition ground surveys are conducted for game birds, fur species, and various nongame wildlife. Numerous surveys have been conducted on an intermittent basis or eliminated due to budget limitations. This request will bring the survey and inventory activities back up to standard. In addition, responsibilities have been added to the division such as monitoring wildlife diseases associated with game farms, but with no increase in funding. There is $271,945 of authority requested each year funded with 24% state special revenue and 76% federal Pittman-Robertson.

Wildlife Programmatic EIS - Development of a programmatic environmental impact statement was initiated by the agency in 1992. A budget was approved by the legislature on a one time only basis with completion scheduled for FY95. The project will not reach its scheduled completion date and will run into FY96. It is requested that the balance of funds, approximately $116,640, be carried into FY96. The project is supported with general license funds and Pittman-Robertson federal funds.

Funding

Excluding the upland game bird program, which is 100% state special revenue, the program is funded 53% federal funds and 47% state special revenue.

5201-06 PARKS DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	95.73	.30	-2.41	93.62	.30	-2.41	93.62
Personal Services	2,499,442	105,694	-151,101	2,454,035	118,111	-152,506	2,465,047
Operating Expenses	1,682,603	458,914	0	2,141,517	470,864	0	2,153,467
Equipment	241,303	28,697	98,890	368,890	-175,453	125,957	191,807
Grants	116,163	483,837	0	600,000	-116,163	0	0
Transfers	0	50,000	0	50,000	50,000	0	50,000
Total Agency Costs	**4,539,511**	**$1,127,142**	**$-52,211**	**$5,614,442**	**$347,359**	**$-26,549**	**$4,860,321**
General Fund	288,024	-14,247	12,000	285,777	-23,184	20,000	284,840
State Special Revenue Fund	3,807,085	385,404	-59,664	4,132,825	404,515	-37,964	4,173,636
Federal Special Revenue Fund	139,305	610,295	0	749,600	10,295	0	149,600
Proprietary Fund	305,097	145,690	-4,547	446,240	-44,267	-8,585	252,245
Total Funding Costs	**4,539,511**	**$1,127,142**	**$-52,211**	**$5,614,442**	**$347,359**	**$-26,549**	**$4,860,321**

Present Law Mandates
The program work is mandated primarily in Title 23, Chapter 1, MCA.

Present Law Base
Personal Service - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, program transfer of positions, and the upgrade of 5.77 FTE.
Operating Expenses - Base adjustments amount to $458,914 in FY96 and $470,864 in FY97 with most of the increases in the repair and maintenance cost category. A significant percentage of these increases are due to gasoline tax increases for OHV, motorboat and snowmobile programs. There is $32,971 in FY96 and $31,639 in FY97 in the capitol grounds maintenance budget for repairs to boulevards and water lines. In the snowmobile program, $37,500 each year is to maintain and repair the snowgrooming fleet by purchasing replacement components for the motorized equipment and grooming attachments. Maintenance contracts are $149,405 each year for maintenance and upkeep of state parks, repair and maintenance of OHV trails, and the maintenance of sites purchased or developed with land and water conservation funds. The Watchable Wildlife Program was transferred to the Parks Division beginning in FY95 from the Conservation Education Division, which results in a base adjustment of $18,622 in FY96 and $26,622 in FY97. An additional $18,800 has been added each year for the operation and maintenance of 14 state park sites where motor boating takes place using motorboat fuel tax funds.
Equipment - The total request is for $270,000 in FY96 and $65,850 in FY97. Included in the request is a biennial appropriation of $190,000 for snowgroomers. The balance of the request is for the replacement of major and minor equipment including a landscape tractor, a used dump truck, a pressure washer, riding lawn mowers, a canoe, and small hand and power tools.
Grants - Two biennial appropriations are requested: $200,000 of federal national recreational trails fund grants that pass through the agency to city, county and federal agencies, as well as local trail clubs for assistance in providing public outdoor recreation trails; $400,000 of and land and water conservation fund grants that pass through to local government agencies for assistance in providing public outdoor recreation area.
Transfers - There is $50,000 per year in authority to spend unanticipated federal and private funds, more commonly known as LCA.

New Proposals
Personal Services Reduction - There would be a 2.41 FTE reduction and total personal services would be reduced by $151,101 in FY96 and $152,506 in FY97 in support of the 1997 biennium recommended pay plan. The reduction would be state special revenue except for $8,547 in FY96 and $8,585 in FY97 which would be proprietary account funds.

Parks Equipment - The agency is requesting $94,890 in FY96 and $125,957 in FY97 for new equipment. The funding would be 13% general fund in FY96 and 16% in FY97, with the remainder state special revenue. Equipment includes: personal protection equipment for employees to meet federal safety standards, a maintenance van for use in Region 7, three utility vehicles to be used within state park sites at a cost of $8,000 each, an equipment trailer, visitor center equipment for Makoshika Park, a trailblazer to be used for statewide existing trails program and to assist in the construction and maintenance of OHV trails, and high band radios for improved communications.

Capitol Grounds Equipment - A mower deck is requested that will be used with existing equipment and funded with proprietary account funds.

Funding

Funding for the program, excluding the $600,000 biennial appropriations for two federal grant programs and the $190,000 proprietary account supported equipment biennial appropriation, is approximately 6% general fund, 86% state special revenue, 3% federal, and 5% proprietary.

5201-07 CAPITAL OUTLAY

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Total Agency Costs	0	$0	$0	$0	$0	$0	$0
Total Funding Costs	0	$0	$0	$0	$0	$0	$0

5201-08 CONSERVATION EDUCATION DIV

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	25.25	-3.00	.00	22.25	-3.00	.00	22.25
Personal Services	862,407	-59,201	-21,918	781,288	-54,858	-22,218	785,331
Operating Expenses	873,692	5,413	70,000	949,105	8,684	70,000	952,376
Equipment	20,337	-5,587	7,000	21,750	413	3,500	24,250
Grants	11,082	103,918	0	115,000	-11,082	0	0
Transfers	0	37,500	0	37,500	37,500	0	37,500
Total Agency Costs	1,767,518	$82,043	$55,082	$1,904,643	$-19,343	$51,282	$1,799,457
State Special Revenue Fund	1,508,613	53,264	-14,918	1,546,959	-55,635	-18,718	1,434,260
Federal Special Revenue Fund	258,905	28,779	70,000	357,684	36,292	70,000	365,197
Total Funding Costs	1,767,518	$82,043	$55,082	$1,904,643	$-19,343	$51,282	$1,799,457

Present Law Mandates

The program work is mandated primarily in Title 87, Chapters 2 and 5; and Title 23, Chapter 2, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, the program transfer of positions, upgrades for 3.00 FTE, and downgrades on 1.50 FTE.

Operating Expenses - The Watchable Wildlife and Nongame Programs have been transferred out of this program resulting in a decrease in operating expenses of $14,874. The Watchable Wildlife Program was transferred to the Parks Division and the Nongame Program was transferred to the Wildlife Division.

Equipment - The agency is requesting $14,750 in FY96 and $20,750 in FY97 for the replacement of two slide projectors, a video camera, recorder, and editor.

Grants - A biennial $115,000 appropriation is requested for the shooting range grants program. The program supports the construction and administration of shooting ranges.

Transfers - There is $37,500 per year for authority to spend unanticipated federal and private funds.

More commonly known as legislative contract authority (LCA), it has been authorized by the legislature in prior sessions.

New Proposals

Personal Services Reductions - Personal services would be reduced by $21,918 in FY96 and $22,218 in FY97 in order to provide funding for the recommended 1997 biennium pay plan.

Hunter Ethics - The agency believes that hunter ethics need to be more aggressively addressed and is proposing to use a booklet entitled "Beyond Fair Chase" as an education tool in hunter safety classes. The booklet provides specific information on ethics in a concise format that can be used as a teaching guide for instructors. There is $10,000 of federal Pittman-Robertson funds requested each year to cover the cost of the booklets that will be distributed to hunter and bowhunter education students annually.

Hunter Education - There are three components to this request: 1) developing a structured instructor evaluation and training system; 2) providing advanced hunter education opportunities; and 3) providing opportunities for the 35% of those youth completing hunter classes who do not hunt. The request would be supported 100% by Pittman-Robertson.

Conservation/Ed Equipment - The agency is requesting $7,000 in FY96 and $3,500 in FY97 to purchase films and videos, a video projector, and two portable video players. This request would be supported with general license funds.

Funding

Funding for this program is 84% state special revenue and 16% federal funds.

5201-09 DEPARTMENT MANAGEMENT

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	41.68	2.70	2.50	46.88	2.70	2.50	46.88
Personal Services	1,547,307	76,312	13,806	1,637,425	84,422	13,454	1,645,183
Operating Expenses	910,035	93,355	228,100	1,231,490	102,994	203,100	1,216,129
Equipment	33,691	-5,286	12,500	40,905	-5,286	12,500	40,905
Grants	99,428	95,572	0	195,000	95,572	0	195,000
Transfers	2,852	122,148	0	125,000	122,148	0	125,000
Total Agency Costs	2,593,313	$382,101	$254,406	$3,229,820	$399,850	$229,054	$3,222,217
State Special Revenue Fund	2,078,780	238,501	254,406	2,571,687	260,064	229,054	2,567,898
Federal Special Revenue Fund	514,533	143,600	0	658,133	139,786	0	654,319
Total Funding Costs	2,593,313	$382,101	$254,406	$3,229,820	$399,850	$229,054	$3,222,217

Present Law Mandates

The program work is mandated primarily in Title 87, Chapter 1, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, program transfer of positions, upgrades for 8.11 FTE, and a $13,650 increase each year for commission members per diem.

Operating Expenses - Base adjustments amount to $92,355 in FY96 and $102,994 in FY97. The adjustments are due to an increase in fixed operating expenses of $9,619 in FY96 and $9,874 in FY97, converting a $25,000 biennial legal appropriation to an annual appropriation of $12,500 each year, increasing commission member travel by $6,895 each year, building and grounds maintenance costs of the seven regional offices increasing $16,809 in FY96 and $19,758 in FY97, and converting the federal $170,000 Sikes Act biennial appropriations to annual appropriations of $85,000 each year.
Equipment - The equipment replacement request of $28,405 each fiscal year of the biennium is for photocopiers, postage meters, and office equipment for Helena and regional headquarters.
Grants - There is $110,000 each year of the biennium transferred to the Department of Livestock for predator control. The State Library receives $25,000 annually to support the Natural Resource Information System (NRIS) and an additional $25,000 annually to support the National Heritage Program. The Cooperative Extension Agent at Montana State University - Bozeman is supported with the transfer of $35,000 each year of the biennium. The position will act as a liaison between FWP and the agricultural community with the goal of improving relations between the entities.
Transfers - Authority to spend unanticipated federal and private funds is $125,000 per year. More commonly known as legislative contract authority (LCA), it has been authorized by the legislature in prior sessions.

New Proposals
Personal Services Reductions - Personal services would be reduced by $38,100 in FY96 and $38,620 in FY97 in support of the recommended 1997 biennium pay plan.

Attorney General Assistance - Recommended is $36,100 of general license funds each year to renew the contract with the Department of Justice to provide Attorney General assistance in prosecuting fish and wildlife crimes. Language in HB2 from the 1993 legislative session instructs the Office of Budget and Program Planning and the Office of the Legislative Fiscal Analyst not to include expenditures from this item in the current level base in the preparation of the 1997 biennium budget.

Dept Management Equipment - General license funds of $12,500 are requested each year for Geographic Information Systems hardware and software.

Area Office Implementation - The proposal is to consolidate department personnel into offices in Libby, Hamilton, Butte, Dillon, Lewistown, and Havre to better serve the public. It has been identified that there are three or more FWP employees located in these six Montana towns who all use their homes as offices. The formation of the area offices would reduce costs and increase efficiency in delivery of services to the public. The 2.50 FTE request would enable each office to have personnel available on a part-time basis. This total cost is $183,906 of general license funds in FY96 and $184,074 in FY97.

Contracted Services - There is $60,000 in FY96 and $35,000 in FY97 requested to supplement the adjusted current level contracted service base of $127,000 each year. This general license supported proposal is being included upon the request of the agency for Native American liaison and technical assistance, more proactive approach to dealing with endangered species, and for regional performance reviews.

Funding
General license funds support 78% of this present law adjusted budget with the federal funds supporting 22%.

Department of State Lands

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	356.27	-5.91	2.00	352.36	-5.91	2.00	352.36
Personal Services	10,529,642	805,801	-266,328	11,069,115	852,341	-269,130	11,112,853
Operating Expenses	8,003,865	5,253,617	347,875	13,605,357	1,495,701	225,375	9,724,941
Equipment	703,398	388,632	104,000	1,196,030	180,932	5,000	889,330
Capital Outlay	2,989	2,011	0	5,000	2,011	0	5,000
Grants	265,000	0	0	265,000	0	0	265,000
Transfers	123,323	208,677	168,000	500,000	208,677	45,500	377,500
Total Agency Costs	**19,628,217**	**$6,658,738**	**$353,547**	**$26,640,502**	**$2,739,662**	**$6,745**	**$22,374,624**
General Fund	8,175,664	1,137,681	-121,057	9,192,288	1,052,519	-307,482	8,920,701
State Special Revenue Fund	5,497,731	3,938,811	193,059	9,629,601	206,640	159,662	5,864,033
Federal Special Revenue Fund	5,595,631	1,375,454	141,875	7,112,960	1,263,893	137,652	6,997,176
Proprietary Fund	359,191	206,792	139,670	705,653	216,610	16,913	592,714
Total Funding Costs	**19,628,217**	**$6,658,738**	**$353,547**	**$26,640,502**	**$2,739,662**	**$6,745**	**$22,374,624**
Central Management Program	1,935,813	308,494	307,670	2,551,977	278,329	62,413	2,276,555
Reclamation Program	6,901,449	4,048,257	-74,246	10,875,460	362,601	-80,811	7,183,239
Land Administration Pgm	1,240,343	281,538	-65,033	1,456,848	273,552	-65,415	1,448,480
Forestry	9,550,612	2,020,449	185,156	11,756,217	1,825,180	90,558	11,466,350
Total Program Costs	**19,628,217**	**$6,658,738**	**$353,547**	**$26,640,502**	**$2,739,662**	**$6,745**	**$22,374,624**

MISSION STATEMENT: To serve the people of Montana by providing State Trust Land Management, Mining Regulation and Reclamation, Forest Practices Regulation, Wildfire Protection and promotion of Forest Stewardship in a professional, open and fiscally responsible manner.

5501-01 CENTRAL MANAGEMENT PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	30.26	-1.46	.00	28.80	-1.46	.00	28.80
Personal Services	1,059,164	5,690	-28,330	1,036,524	10,443	-28,587	1,041,020
Operating Expenses	481,916	120,537	168,000	770,453	85,619	45,500	613,035
Equipment	6,410	-6,410	0	0	-6,410	0	0
Grants	265,000	0	0	265,000	0	0	265,000
Transfers	123,323	188,677	168,000	480,000	188,677	45,500	357,500
Total Agency Costs	**1,935,813**	**$308,494**	**$307,670**	**$2,551,977**	**$278,329**	**$62,413**	**$2,276,555**
General Fund	1,332,291	78,594	168,000	1,578,885	38,849	45,500	1,416,640
State Special Revenue Fund	123,788	23,651	0	147,439	23,413	0	147,201
Federal Special Revenue Fund	120,543	-543	0	120,000	-543	0	120,000
Proprietary Fund	359,191	206,792	139,670	705,653	216,610	16,913	592,714
Total Funding Costs	**1,935,813**	**$308,494**	**$307,670**	**$2,551,977**	**$278,329**	**$62,413**	**$2,276,555**

Present Law Mandates

The division work is mandated in Title 2, Chapter 15, and Title 77, Chapter 1, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of FTE reductions from the November 1993 Special Session, annualization of the FY95 pay plan, adjustments for longevity and employee benefits, 4.00 FTE upgrades, and 1.00 position downgraded.

Operating Expenses - In compliance with language in HB2 from the 1993 Legislative Session, costs associated with the helicopter development project are being budgeted at the FY95 level plus inflation. An adjustment of $58,560 in each fiscal year has been made. Other operating expense increases are also in the aviation operation and are impacted by the development project. The FY94 base for gasoline was 75% below the ten-year average, due to abnormal weather, so a $77,751 adjustment is being requested. Additional authority also is requested for routine maintenance of agency aircraft.

Grants - Continue at the $265,000 level for the state land equalization payments to counties, pursuant to 77-1-501, MCA.

Transfers - The transfer amount equals the amount of general fund supporting the aviation operation and allows for the transfer of the funds to the proprietary account for expenditure in accordance with generally accepted accounting principles (GAAP).

New Proposals

Personal Services Reduction - This program will experience a reduction of $28,330 in FY96 and $28,587 in FY97 in personal services, with no reduction in FTE, to provide adequate funding for the proposed pay plan.

Aircraft Maintenance - General fund is requested to support $168,000 of major aircraft maintenance in FY96 and $45,500 in FY97. It is difficult to forecast scheduled maintenance due to unforeseen use and the number of hours each aircraft will log in a given year. The agency anticipates this amount will provide the needed authority in the 1997 biennium. Transfer authority is included in the proposal in order to move the general fund to the proprietary account for expenditure.

Funding

The general fund support for the aviation operations has been increased to $312,000 per year to ensure that the fix costs will be covered and the program can continue to operate even in low activity years such as FY94. The trust land management system continues to be funded with resource development funds amounting to $76,650 in FY96 and $76,115 in FY97. Other than the $141,875 biennial request for resource indemnity trust (RIT) funds, the $120,000 per fiscal year of federal funding, and the proprietary account for the aviation program, the program is supported with general fund.

5501-03 RECLAMATION PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	52.43	.00	-1.00	51.43	.00	-1.00	51.43
Personal Services	1,784,475	144,463	-85,246	1,843,692	154,089	-85,811	1,852,753
Operating Expenses	5,031,062	3,862,606	0	8,893,668	167,774	0	5,198,836
Equipment	85,912	21,188	11,000	118,100	20,738	5,000	111,650
Transfers	0	20,000	0	20,000	20,000	0	20,000
Total Agency Costs	**6,901,449**	**$4,048,257**	**$-74,246**	**$10,875,460**	**$362,601**	**$-80,811**	**$7,183,239**
General Fund	0	287,880	0	287,880	283,310	0	283,310
State Special Revenue Fund	2,218,524	2,683,405	-78,746	4,823,183	-1,026,120	-80,811	1,111,593
Federal Special Revenue Fund	4,682,925	1,076,972	4,500	5,764,397	1,105,411	0	5,788,336
Total Funding Costs	**6,901,449**	**$4,048,257**	**$-74,246**	**$10,875,460**	**$362,601**	**$-80,811**	**$7,183,239**

Present Law Mandates

The division work is mandated primarily in Title 75, Chapter 1, and Title 82, Chapter 4, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, and 5.00 FTE upgrades.

Operating Expenses - Biennial appropriations make up most of the base adjustments. A $3.0 million biennial appropriation for spending authority only is requested in the Environmental Analysis Program for the preparation of environmental impact statements and environmental assessments. Activities if requested will be supported with MEPA state special revenue. In the Bond Forfeiture Program, a $500,000 biennial appropriation is requested for spending authority only to support possible projects in the 1997 biennium. Performance of the projects is dependent upon the collection of forfeited bonds, availability of staff to oversee the projects, and the level of cooperativeness from the individuals and businesses involved. A $200,000 biennial appropriation is requested for emergency projects by the Hard Rock Bureau. Pursuant to the requirements of the Montana Metal Mine Reclamation Act, the Hard Rock Bureau is authorized to collect fines, fees, and penalties and utilize these funds in emergency situations. An increase of $913,552 is requested in each year of the biennium to allow for the expenditure of anticipated federal funds for the Abandoned Mine Reclamation Program.

Equipment - The equipment request for this program is for the replacement of field utility vehicles, computers, and software. There is $107,100 requested in FY96 and $106,650 in FY97.

Transfers - Montana State Library, Geographic Information System (GIS) maintenance. The Coal and Uranium Bureau GIS requires yearly upgrades, maintenance and data sharing with the library. This

is funded based on the Office of Surface Mining/state cost sharing formula. This is anticipated to be 75% federal 25% state split. The increase over previous years is due to increases in general software updates and to convert new information from Natural Heritage to GIS format and use.
Funding Language - The exact percentage of state/federal funding for the transfer is dependent upon results of negotiations with the U. S. Department of Interior, Office of Surface Mining to determine the state/federal funding split for the Coal and Uranium Bureau, administration and enforcement grant. Spending authority is requested to allow a transfer of state special revenue funds and federal special revenue funds (for a total of $20,000) to meet the funding split.

New Proposals
Personal Services Reduction - Personal services would be decreased by 1.00 FTE and $85,246 in FY96 and $85,811 in FY97 of state special revenue to pay for the proposed 1997 biennium pay plan.

Reclamation Equipment - The agency is requesting to purchase a $6,000 seismograph unit in FY96 and $5,000 each year for specialized computer software - autocad, hydrological, geochemical, and engineering. Funding for the request would be $6,500 in FY96 and $5,000 in FY97 of resource indemnity trust reclamation and development funds, with the balance funded from federal reclamation grant funds.

Funding
In prior biennia, a portion of the Reclamation Division was supported with general fund. With the passage of HB608 in the 1993 legislative session, $601,028 of general fund was replaced with resource indemnity tax trust (RITT) reclamation and development funds. Projections for the 1997 biennium indicate that RIT trust interest earnings available for administrative operations will decline. Therefore, $571,190 of general fund has been added to this program to cover the revenue short-fall. The Reclamation Division budget request will retain RIT reclamation and development funding of $2,070,677 for the biennium. The balance of the budget is supported with other state special revenue and federal funds.

5501-04 LAND ADMINISTRATION PGM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	31.00	-.50	-1.00	29.50	-.50	-1.00	29.50
Personal Services	975,763	-1,641	-65,033	909,089	2,765	-65,415	913,113
Operating Expenses	235,702	196,257	0	431,959	199,115	0	434,817
Equipment	25,889	84,911	0	110,800	69,661	0	95,550
Capital Outlay	2,989	2,011	0	5,000	2,011	0	5,000
Total Agency Costs	1,240,343	$281,538	$-65,033	$1,456,848	$273,552	$-65,415	$1,448,480
General Fund	950,357	78,524	-65,033	963,848	70,538	-65,415	955,480
State Special Revenue Fund	289,986	203,014	0	493,000	203,014	0	493,000
Total Funding Costs	1,240,343	$281,538	$-65,033	$1,456,848	$273,552	$-65,415	$1,448,480

Present Law Mandates
The division work is mandated primarily in Title 75, Chapter 1, and Title 77, Chapter 1, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of an FTE reduction in the November 1993 Special Session, annualization of the pay plan, adjustments for longevity and employee benefits, and the upgrade of 3.00 FTE.

Operating Expenses - The significant increase is the $150,000 of spending authority in each year of the biennium for contracting the preparation of Montana Environmental Protection Act (MEPA) documents required for exchange of trust lands to private entities. Other increases are: fixed costs $16,116 in FY96 and $17,139 in FY97. $29,189 each year in contracted services which includes $25,000 of spending authority for costs associated with cabinsite/homesite sales. The balance of the contracted services will allow the agency to employ administrative help for compiling, reviewing, and distributing Federal Farm Program payments and crop share payments during crunch periods. Funding weed control at $15,000 per year on vacant state tracts, FY94 actual was low due to exceptional rainfall. The advisory committee to the Board of Land Commissioners sunsets in March 1995, as a result the based was reduced by $14,321.

Equipment - The replacement equipment recommendation of $110,000 in FY96 and $95,550 in FY97 is for nine field vehicles, four ATV's, computers, and miscellaneous office equipment.

Capital Outlay - The $5,000 requested includes $2,000 in annual assessments that the agency continues to pay on the Continental Divide Subdivision in Billings for street and curb, sewer and water maintenance to the subdivided state lots. Efforts to sell the lots will continue during the 1997 biennium. Advertising and preparing the sales is expected to cost $1,000 annually. The agency is in the process of developing high revenue generating commercial leases in Bozeman and Kalispell. It is anticipated that the developments will require the inclusion in special improvement districts, resulting in assessments of approximately $2,000 per year.

New Proposals

Personal Services Reduction - The program would be reduced by 1.00 FTE and $65,033 in FY96 and $65,415 in FY97 in general fund supported personal services to pay for the proposed 1997 biennium pay plan.

Funding

The program is supported 67% general fund and 33% state special revenue.

5501-25 FORESTRY

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	242.58	-3.95	4.00	242.63	-3.95	4.00	242.63
Personal Services	6,710,240	657,289	-87,719	7,279,810	685,044	-89,317	7,305,967
Operating Expenses	2,255,185	1,074,217	179,875	3,509,277	1,043,193	179,875	3,478,253
Equipment	585,187	288,943	93,000	967,130	96,943	0	682,130
Total Agency Costs	9,550,612	$2,020,449	$185,156	$11,756,217	$1,825,180	$90,558	$11,466,350
General Fund	5,893,016	692,683	-224,024	6,361,675	659,822	-287,567	6,265,271
State Special Revenue Fund	2,865,433	1,028,741	271,805	4,165,979	1,006,333	240,473	4,112,239
Federal Special Revenue Fund	792,163	299,025	137,375	1,228,563	159,025	137,652	1,088,840
Total Funding Costs	9,550,612	$2,020,449	$185,156	$11,756,217	$1,825,180	$90,558	$11,466,350

Present Law Mandates

The division work is mandated primarily in Titles 76 and 77, Chapter 13, and 5, respectively, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of FTE reductions as a result of special session legislative action, annualization of the pay plan, adjustments for longevity and employee benefits, 49.32 FTE upgrades, and 4.95 FTE downgrades.

Operating Expenses - A significant increase in the Forest Improvement Program accounts for most of the base adjustment. An increase of $861,730 in FY96 and $861,808 in FY97 is requested to cover the trust land management needs for road maintenance, pre-commercial thinning, and re-forestation. With the new forest improvement fee calculation method in place, combined with expected federal funding, and road cost share reimbursement, the agency expects to have sufficient funds available in the 1997 biennium to support this expanded program.

In accordance with HB2 language, the helicopter development activity budget was developed for the 1997 biennium using FY95 appropriated amounts. Approximately $33,000 for personal services and operating expenses has been transferred to this program budget.

Fixed costs increased by $97,725 in FY96 and $96,724 in FY97. Consulting and professional services increased by $166,812 in FY96 and $146,812 in FY97 for such activities as surveys of road rights-of-way to be acquired for access to state forest lands, risk rating assessments of wildfire urban interface of structures and forested areas, implementation of the Forest Stewardship Program, and contractor payments for the Forest Practices Program on-site consultations and Streamside Management Zone inspections.

Equipment - The average of the 1995 biennium appropriation, $682,130, represents a historical base budget for replacement equipment in the Forestry Program. The amount has been requested for each year of the 1997 biennium and the funding would be split 66% general fund and 34% state special revenue. In addition, $95,000 in FY96 is being requested to replace a diesel truck trailer. The existing 1980 White tractor will have in excess of 250,000 miles by December 31, 1994. The funding for the replacement tractor would be 100% federal.

Requested Language - Federal fire reimbursement funds are those funds received for expenses incurred from loaning department personnel to federal agencies to assist in fire suppression activities. Only those federal funds received as reimbursement of expenses credited against the department's state forestry operational budget are considered federal fire reimbursement funds. All other federal funds received must be deposited into the general fund. The department shall report federal fire reimbursement expenditures on state accounting records, and the records must be separate from base budget operations.

New Proposals

Personal Services Reduction - The personal services would be reduced by 5.00 FTE and $358,313 in FY96 and $360,666 in FY97. The reduction would be 80% general fund and 20% state special revenue to support the pay plan recommended.

PLB-Major Fire Suppression Equip - The purpose of this FY96 proposal is to replace various items of fire suppression and support equipment that has been used extensively and is becoming unreliable. Critical suppression and support items such as 200 gallon slip-on units, chainsaws, portable pumps, portable tanks, and portable radios are requiring extensive repair and maintenance to remain in service. The request is funded 66% general fund and 34% state special revenue.

Community Forestry FTE - The request, if approved, would make 3.00 FTE hired under administrative authority permanent. The positions are providing full-time urban forestry assistance from agency offices in Missoula, Lewistown and Miles City. The Urban Forestry Assistance Program is funded 100% by a federal grant.

Forest Products Sales Funding - The 1993 Legislature passed HB652 (coded at 77-1-612, MCA) which provided for the deduction of $312,000 received from the sale of timber from the trust lands to support the forest products sales program. The act sunsets June 30, 1995. This proposal continues the program into the 1997 biennium and is dependent upon passage and approval of legislation to remove the sunset language. The proposal would continue the $312,000 appropriation and the 6.00 FTE.

Aviation Support Equipment - The purpose of this FY96 $93,000 new proposal is to meet increased safety standards and improve efficiency of water handling, cargo transport, and fire fighter transport by upgrading fire fighting helicopters. Upgrades would be made to the three H model helicopters. The proposal would be funded 66% general fund and 34% state special revenue.

BA1098 Inter-Agency Fire Operation - The department participates in a cooperative agreement for combined fire dispatch centers with the U. S. Forest Service (USFS). The USFS funds received will be deposited in a federal special revenue account and expended through the requested authority. The agency will then be in compliance with an Office of Legislative Auditor recommendation. Additional appropriation authority was provided the agency through the budget amendment process for FY94 and FY95. With the approval of this proposal, the appropriation authority will become part of the base.

Funding

The program is supported 57% general fund, 34% state special revenue and 9% federal special revenue.

Department of Livestock

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	122.71	1.00	-3.00	120.71	1.00	-3.00	120.71
Personal Services	3,916,614	104,570	-194,771	3,826,413	121,559	-196,130	3,842,043
Operating Expenses	1,219,650	286,252	126,050	1,631,952	289,282	60,000	1,568,932
Equipment	227,508	39,841	15,920	283,269	34,374	0	261,882
Capital Outlay	20,252	-3,876	0	16,376	-3,876	0	16,376
Benefits and Claims	3,900	600	0	4,500	600	0	4,500
Total Agency Costs	**5,387,924**	**$427,387**	**$-52,801**	**$5,762,510**	**$441,939**	**$-136,130**	**$5,693,733**
General Fund	357,963	127,041	-28,607	456,397	129,710	-28,616	459,057
State Special Revenue Fund	4,716,464	267,875	1,806	4,986,145	268,169	-81,514	4,903,119
Federal Special Revenue Fund	313,497	32,471	-26,000	319,968	44,060	-26,000	331,557
Total Funding Costs	**5,387,924**	**$427,387**	**$-52,801**	**$5,762,510**	**$441,939**	**$-136,130**	**$5,693,733**
Centralized Services Program	600,720	73,157	0	673,877	47,215	0	647,935
Diagnostic Laboratory Program	990,355	90,825	-20,212	1,060,968	103,685	-20,279	1,073,761
Disease Control Program	565,426	73,942	-85,822	553,546	77,665	-86,983	556,108
Milk & Egg Program	179,945	2,250	0	182,195	4,387	0	184,332
Inspection & Control Program	2,313,283	13,862	15,920	2,343,065	29,985	0	2,343,268
Predator Control	230,205	93,405	89,313	412,923	96,012	23,132	349,349
Meat/poultry Inspection	507,990	79,946	-52,000	535,936	82,990	-52,000	538,980
Total Program Costs	**5,387,924**	**$427,387**	**$-52,801**	**$5,762,510**	**$441,939**	**$-136,130**	**$5,693,733**

MISSION STATEMENT: To control and eradicate animal diseases, prevent the transmission of animal diseases to humans, and to protect the livestock industry from theft and predatory animals.

5603-01 CENTRALIZED SERVICES PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	10.00	.00	.00	10.00	.00	.00	10.00
Personal Services	392,965	-6,015	0	386,950	-4,243	0	388,722
Operating Expenses	180,500	66,867	0	247,367	46,503	0	227,003
Equipment	27,255	12,305	0	39,560	4,955	0	32,210
Total Agency Costs	**600,720**	**$73,157**	**$0**	**$673,877**	**$47,215**	**$0**	**$647,935**
General Fund	9,472	48,091	0	57,563	47,580	0	57,052
State Special Revenue Fund	556,748	37,566	0	594,314	1,068	0	557,816
Federal Special Revenue Fund	34,500	-12,500	0	22,000	-1,433	0	33,067
Total Funding Costs	**600,720**	**$73,157**	**$0**	**$673,877**	**$47,215**	**$0**	**$647,935**

Present Law Mandates

The division is responsible for the support services which enable the other agency programs to comply with state and federal mandates.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, and staff turnover.

Operating Expenses - Operating expense adjustments are due to fixed cost increases.

Equipment - The replacement equipment request of $39,560 in FY96 and $32,210 in FY97 is for computers, software, and office furniture.

Funding

General fund supports 9% of the budget, state special revenue 88% in FY96 and 86% in FY97, and federal funds amount to 3% in FY96 and 5% in FY97.

5603-03 DIAGNOSTIC LABORATORY PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	18.00	1.00	-1.00	18.00	1.00	-1.00	18.00
Personal Services	652,031	9,892	-20,212	641,711	12,370	-20,279	644,122
Operating Expenses	259,595	73,401	0	332,996	88,023	0	347,618
Equipment	58,477	11,408	0	69,885	7,168	0	65,645
Capital Outlay	20,252	-3,876	0	16,376	-3,876	0	16,376
Total Agency Costs	**990,355**	**$90,825**	**$-20,212**	**$1,060,968**	**$103,685**	**$-20,279**	**$1,073,761**
General Fund	99,547	39,926	-2,607	136,866	41,584	-2,616	138,515
State Special Revenue Fund	890,808	50,899	-17,605	924,102	62,101	-17,663	935,246
Total Funding Costs	**990,355**	**$90,825**	**$-20,212**	**$1,060,968**	**$103,685**	**$-20,279**	**$1,073,761**

Present Law Mandates
The division work is mandated in Title 81, Chapter 2, part 1, MCA.

Present Law Base
Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, the addition of a 1.00 FTE in FY95 as approved by the 1993 Legislature, and staff turnover.
Operating Expenses - The increase in operating expenses of $73,401 in FY96 and $88,023 in FY97 is primarily due to: an additional $34,975 in each year of the biennium for laboratory supplies due to changes in USDA regulations for testing cattle sera and FDA regulations for interstate shipment of milk; fixed costs increase by $7,831 in FY96 and $9,422 in FY97, and $4,993 annually for laboratory equipment maintenance contracts, related primarily to a chemical blood analyzer. Also, building enhancement project in FY95 will add square feet to the lab, resulting in a utility cost increase budgeted at $8,888.
Equipment - The equipment replacement budget of $69,885 in FY96 and $65,645 in FY97 includes a refrigerated centrifuge, an incubator, a ultralow freezer, spectrophotometer, a centrifuge, a microtome, embedding center, glassware washer, automatic strainer, bio mic sensitivity reader, immunohistochemistry center, a milkoscan 134, and a hematology analyzer.
Capital Outlay - Payment to Montana State University - Bozeman for the energy retrofit done in 1992 under the five-year repayment schedule, which will be completed by the end of the 1997 biennium.

New Proposals
Personal Services Reductions - Personal services would be reduced by $20,212 in FY96 and $20,279 in FY97 and 1.00 FTE. The reduction would be 13% general fund and 87% state special revenue to support the recommended 1997 biennium pay plan.

Funding
The funding for this program is general fund 13% and state special revenue 87%.

5603-04 DISEASE CONTROL PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	10.75	.00	-1.00	9.75	.00	-1.00	9.75
Personal Services	432,383	-24,432	-85,822	322,129	-22,556	-86,983	322,844
Operating Expenses	108,837	98,325	0	207,162	99,325	0	208,162
Equipment	20,306	-551	0	19,755	296	0	20,602
Benefits and Claims	3,900	600	0	4,500	600	0	4,500
Total Agency Costs	**565,426**	**$73,942**	**$-85,822**	**$553,546**	**$77,665**	**$-86,983**	**$556,108**
State Special Revenue Fund	565,426	73,942	-85,822	553,546	77,665	-86,983	556,108
Total Funding Costs	**565,426**	**$73,942**	**$-85,822**	**$553,546**	**$77,665**	**$-86,983**	**$556,108**

Present Law Mandates
The division work is mandated in Title 81, Chapters 1, 2, 5, 7, 8, 9, and 20, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, and staff turnover.

Operating Expenses - There is $108,400 for contracted services included in each year of the biennium. In prior fiscal years $70,000 has been authorized as a contingency should it be necessary to hire professionals due to a disease outbreak, movement of bison out of Yellowstone Park, or game farm concerns. The amount of $38,400 has been requested for contracted animal health inspections.

Equipment - The agency is requesting the replacement of one vehicle in each year of the biennium and office equipment.

Benefits and Claims - There is $4,500 requested each year for indemnity payments for animals ordered destroyed. This is the amount appropriated in FY94.

New Proposals

Personal Services Reduction - Personal services would be reduced by $85,822 in FY96 and $86,983 in FY97 and 1.00 FTE. The reduction would be 100% state special revenue and would be used to fund the 1997 biennium pay plan.

5603-05 MILK & EGG PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	4.00	.00	.00	4.00	.00	.00	4.00
Personal Services	136,621	2,407	0	139,028	3,329	0	139,950
Operating Expenses	28,516	-849	0	27,667	-234	0	28,282
Equipment	14,808	692	0	15,500	1,292	0	16,100
Total Agency Costs	**179,945**	**$2,250**	**$0**	**$182,195**	**$4,387**	**$0**	**$184,332**
State Special Revenue Fund	154,945	-2,750	0	152,195	387	0	155,332
Federal Special Revenue Fund	25,000	5,000	0	30,000	4,000	0	29,000
Total Funding Costs	**179,945**	**$2,250**	**$0**	**$182,195**	**$4,387**	**$0**	**$184,332**

Present Law Mandates

The program work is mandated in Title 81, Chapters 20, 21 and 22; Titles 20, 21 and 22, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits.

Operating Expenses - Operating expenses decline due to a reduction in fixed costs.

Equipment - The replacement of one vehicle in each fiscal year is requested.

Funding

Federal funds of $30,000 in FY96 and $29,000 in FY97 support this program budget; the balance is state special revenue.

5603-06 INSPECTION & CONTROL PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	63.21	.00	.00	63.21	.00	.00	63.21
Personal Services	1,893,094	21,312	0	1,914,406	29,031	0	1,922,125
Operating Expenses	318,182	-28,092	0	290,090	-24,364	0	293,818
Equipment	102,007	20,642	15,920	138,569	25,318	0	127,325
Total Agency Costs	**2,313,283**	**$13,862**	**$15,920**	**$2,343,065**	**$29,985**	**$0**	**$2,343,268**
State Special Revenue Fund	2,313,283	13,862	15,920	2,343,065	29,985	0	2,343,268
Total Funding Costs	**2,313,283**	**$13,862**	**$15,920**	**$2,343,065**	**$29,985**	**$0**	**$2,343,268**

Present Law Mandates
The program work is mandated in Title 81, Chapters 1, 3, 4, 5, 6, 8 and 9, MCA.

Present Law Base
Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, and two positions were downgraded.
Operating Expenses - Fixed cost and maintenance contract reductions are the reasons operating expenses declined.
Equipment - The agency is requesting the replacement of six vehicles each year, light bars, and law enforcement equipment.

New Proposals
Inspection/Control Equipment - $15,920 is requested in FY96 for new equipment that includes a paper shredder and safes for brand offices in compliance with an audit recommendation.

Funding
This program is funded 100% with state special revenue.

5603-08 PREDATOR CONTROL

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	1.25	.00	.00	1.25	.00	.00	1.25
Personal Services	14,001	36,195	-36,737	13,459	36,376	-36,868	13,509
Operating Expenses	216,204	57,210	126,050	399,464	59,636	60,000	335,840
Total Agency Costs	**230,205**	**$93,405**	**$89,313**	**$412,923**	**$96,012**	**$23,132**	**$349,349**
State Special Revenue Fund	230,205	93,405	89,313	412,923	96,012	23,132	349,349
Total Funding Costs	**230,205**	**$93,405**	**$89,313**	**$412,923**	**$96,012**	**$23,132**	**$349,349**

Present Law Mandates
The program work is mandated in Title 81, Chapter 7, MCA.

Present Law Base
Personal Services - The base adjustment reflects the full funding of 1.25 FTE taking into consideration the annualization of the pay plan, and adjustments for longevity and employee benefits.
Operating Expenses - Included in the base adjustments are $14,386 each year of fixed cost increases, an additional $5,042 in each year to bring consulting and professional services up to $10,000 for Section 8 experts, and $36,254 each year for predator control agreements. The agreements are: 1) Counties $25,500 per year; 2) USDA, Animal Damage Control $42,500 per year; 3) Contracting with USDA, Animal Damage Control for a pilot at an annual cost of $56,000; and 4) $30,000 per year for contract aerial hunting.
Equipment - No replacement equipment is being requested.

New Proposals
Personal Services Reductions - Personal services would be reduced by $36,737 in FY96 and $36,868 in FY97 as part of the proposed 1997 biennium pay plan funding.

Aircraft Maintenance - The agency is requesting $126,050 in FY96 and $60,000 in FY97 for maintenance of the Predator Control Program helicopter. The proposal would be supported with state special revenue.

Funding
This program is funded 100% state special revenue.

5603-10 MEAT/POULTRY INSPECTION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	15.50	.00	-1.00	14.50	.00	-1.00	14.50
Personal Services	395,519	65,211	-52,000	408,730	67,252	-52,000	410,771
Operating Expenses	107,816	19,390	0	127,206	20,393	0	128,209
Equipment	4,655	-4,655	0	0	-4,655	0	0
Total Agency Costs	507,990	$79,946	$-52,000	$535,936	$82,990	$-52,000	$538,980
General Fund	248,944	39,024	-26,000	261,968	40,546	-26,000	263,490
State Special Revenue Fund	5,049	951	0	6,000	951	0	6,000
Federal Special Revenue Fund	253,997	39,971	-26,000	267,968	41,493	-26,000	269,490
Total Funding Costs	507,990	$79,946	$-52,000	$535,936	$82,990	$-52,000	$538,980

Present Law Mandates
The Wholesome Meat Act, adopted by Congress in 1967, required all states to inaugurate and enforce a mandatory statewide meat inspection system equal to the meat inspection system maintained by the U. S. Department of Agriculture. Failure of a state to achieve the implementation of an inspection program would result in a mandatory system of only federal meat inspection within the state. The Montana Meat and Poultry Inspection Act of 1987 (HB814) provided for the implementation and enforcement of a state wide meat inspection program. Applicable sections of 9 CFR (Code of Federal Regulations) 325 through 9 CFR 381.311 which sets forth federal rules on

meat and poultry inspection were adopted by the Department of Livestock.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, and the down grade of one position.

Operating Expenses - The base adjustments total $19,390 in FY96 and $20,393 in FY97. The program will be leasing seven vehicles at an estimated cost of $4,500 per vehicle per year. This will increase the base by $11,954. There were only five vehicles leased in FY94, and one was for only part of the year. Laboratory testing will go up an estimated $4,275 because of federal requirements for additional sample testing.

Equipment - No replacement equipment is being requested, resulting in a $4,655 decrease each year.

New Proposals

Personal Services Reductions - There would be 1.00 FTE and $52,000 of personal services in each year of the biennium reduced from this program. The reduction would be 50% general fund and 50% federal funding in support of the recommneded pay plan.

Funding

The funding for the program is 1% state special revenue, 49% general fund, and 50% federal.

Department of Natural Resources & Conservation

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	240.42	-6.00	-5.92	228.50	-6.00	-5.92	228.50
Personal Services	7,782,083	790,171	-361,014	8,211,240	834,909	-364,302	8,252,690
Operating Expenses	2,307,714	1,730,495	56,466	4,094,675	1,673,058	31,549	4,012,321
Equipment	244,011	-24,125	36,137	256,023	-79,307	9,972	174,676
Capital Outlay	250,429	-250,429	0	0	-250,429	0	0
Local Assistance	105,000	20,000	0	125,000	20,000	0	125,000
Grants	532,687	-99,536	0	433,151	-102,145	0	430,542
Debt Service	22,905	258	460,000	483,163	258	0	23,163
Total Agency Costs	**11,244,829**	**$2,166,834**	**$191,589**	**$13,603,252**	**$2,096,344**	**$-322,781**	**$13,018,392**
General Fund	3,072,825	1,795,202	-139,493	4,728,534	1,782,376	-166,627	4,688,574
State Special Revenue Fund	6,686,270	284,831	366,542	7,337,643	234,935	-120,070	6,801,135
Federal Special Revenue Fund	1,161,547	10,988	-35,460	1,137,075	3,220	-36,084	1,128,683
Expendable Trust Fund	324,187	75,813	0	400,000	75,813	0	400,000
Total Funding Costs	**11,244,829**	**$2,166,834**	**$191,589**	**$13,603,252**	**$2,096,344**	**$-322,781**	**$13,018,392**
Centralized Services	1,704,628	175,346	6,394	1,886,368	127,395	-20,232	1,811,791
Oil & Gas Regulation	795,968	458,235	-139,958	1,114,245	464,345	-140,603	1,119,710
Conservation/resource Dev Div	1,339,867	114,003	33,826	1,487,696	120,638	33,618	1,494,123
Water Resources Division	4,914,525	291,839	381,530	5,587,894	274,539	-104,642	5,084,422
Reserved Water Rights Comp Com	469,404	54,621	-18,650	505,375	49,767	-18,820	500,351
Energy Division	2,020,437	1,072,790	-71,553	3,021,674	1,059,660	-72,102	3,007,995
Total Program Costs	**11,244,829**	**$2,166,834**	**$191,589**	**$13,603,252**	**$2,096,344**	**$-322,781**	**$13,018,392**

MISSION STATEMENT: To ensure the wise management, development, conservation, and use of some of Montana's natural resources in a manner consistent with environmental quality; to sustain and improve the benefits derived from our water, soil, and rangeland; to encourage energy conservation and the use of renewable energy resources; to promote conservation of oil and gas and prevent resource waste through regulation of exploration and production; and to make certain that energy facilities and water projects are developed with minimal adverse environmental impacts.

5706-21 CENTRALIZED SERVICES

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	34.50	-1.00	.00	33.50	-1.00	.00	33.50
Personal Services	1,219,398	49,490	-20,216	1,248,672	55,774	-20,592	1,254,580
Operating Expenses	464,717	130,263	25,360	620,340	74,456	360	539,533
Equipment	13,078	-3,043	1,250	11,285	-1,471	0	11,607
Debt Service	7,435	-1,364	0	6,071	-1,364	0	6,071
Total Agency Costs	**1,704,628**	**$175,346**	**$6,394**	**$1,886,368**	**$127,395**	**$-20,232**	**$1,811,791**
General Fund	734,066	364,905	25,724	1,124,695	355,350	162	1,089,578
State Special Revenue Fund	850,642	-181,198	-19,423	650,021	-187,864	-20,412	642,366
Federal Special Revenue Fund	119,920	-8,361	93	111,652	-40,091	18	79,847
Total Funding Costs	**1,704,628**	**$175,346**	**$6,394**	**$1,886,368**	**$127,395**	**$-20,232**	**$1,811,791**

Present Law Mandates

Program 21, Centralized Services provides support services to federal and state mandated programs. It is also responsible for overseeing certain federal and state laws.

Present Law Base

Personal Services Reductions - Personal services would be reduced by $20,216 in FY96 and $20,592 in FY97. There would be no reduction in FTE to fund the 1997 biennium pay plan recommendation.

NMFS Lawsuit - A biennial appropriation of $25,000 is requested for the lawsuit involving the State of Montana v. National Marine Fisheries Service. The lawsuit challenges the federal plan for changing dam operations along the Columbia River to save northwest salmon. The request would be supported with general fund.

Centralized Services Equipment - The agency is requesting $1,610 in FY96 and $360 in FY97 for a color printer and to cover network costs payable to Information Services Division, Department of Administration, for the new equipment.

New Proposals

Personal Services Reductions - Personal services would be reduced by $20,216 in FY96 and $20,592 in FY97. There would be no reduction in FTE, to fund the 1997 biennium pay plan recommendation.

NMFS Lawsuit - A biennial appropriation of $25,000 is requested for the lawsuit involving the State of Montana v. National Marine Fisheries Service. The lawsuit challenges the federal plan for changing dam operations along the Columbia River to save northwest salmon. The request would be supported with general fund.

Centralized Services Equipment - The agency is requesting $1,610 in FY96 and $360 in FY97 for a color printer and to cover network costs payable to Information Services Division, Department of Administration, for the new equipment.

Funding

With the passage of HB608 in the 1993 Legislative Session, $844,948 of general fund was replaced with resource indemnity tax trust (RITT) proceeds to support agency operations. Projections for the 1997 biennium indicate that RITT interest earnings available for administrative operations will decline. Therefore, $524,658 of general fund has been added to this program to cover the shortfall. Funding for the program in FY96 is 58% general fund, 36% state special revenue, and 6% federal; in FY97 the funding is 60% general fund, 36% state special revenue, and 4% federal.

5706-22 OIL & GAS REGULATION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	24.50	.00	-5.50	19.00	.00	-5.50	19.00
Personal Services	609,756	211,458	-139,958	681,256	214,772	-140,603	683,925
Operating Expenses	182,727	226,287	0	409,014	227,337	0	410,064
Equipment	2,628	20,693	0	23,321	22,439	0	25,067
Debt Service	857	-203	0	654	-203	0	654
Total Agency Costs	**795,968**	**$458,235**	**$-139,958**	**$1,114,245**	**$464,345**	**$-140,603**	**$1,119,710**
State Special Revenue Fund	795,968	458,235	-139,958	1,114,245	464,345	-140,603	1,119,710
Total Funding Costs	**795,968**	**$458,235**	**$-139,958**	**$1,114,245**	**$464,345**	**$-140,603**	**$1,119,710**

Present Law Mandates

The powers and duties of the Board of Oil and Gas Conservation are mandated in 21-11-111, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, the upgrades of 4.00 FTE, and the downgrade of 1.00 position.

Operating Expenses - The annual operating budget request of $225,000 for the Underground Injection Program is the major base adjustment. The funds will be used for consultant and other operating services. The program is intended to be entirely self-funded through an annual injection well operating fee.

Equipment - The replacement equipment request amounts to $23,321 in FY96 and $25,067 in FY97 for two vehicles, one in each year; computer equipment and software; and hydrogen sulfide safety monitors.

Debt Service - Share of principle payment on department computer decreases in the 1997 biennium.

Statutory Appropriation - The damage mitigation account, as established by 82-11-161, MCA, provides a statutory appropriation to plug and restore oil and gas drilling or producing sites under certain conditions if the responsible person cannot be identified or located or fails or refuses to do so. About $200,000 for the biennium is anticipated to be available.

Requested Language - The following language authority is recommended for the general appropriations act: "The Board of Oil and Gas Conservation is appropriated $110,000 of federal special revenue each year of the 1997 biennium, contingent upon receiving federal funds from the Environmental Protection Agency for the Underground Injection Control Program."

New Proposals

Personal Services Reductions - The personal services in this program would be reduced by $139,958 in FY96 and $140,603 in FY97. A total of 5.50 FTE would be eliminated to pay costs associated with the recommended 1997 biennium pay plan.

5706-23 CONSERVATION/RESOURCE DEV DIV

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	18.50	.00	1.00	19.50	.00	1.00	19.50
Personal Services	639,022	33,612	20,149	692,783	37,103	20,051	696,176
Operating Expenses	301,887	44,974	13,677	360,538	50,727	13,567	366,181
Equipment	34,759	-11,897	0	22,862	-11,897	0	22,862
Local Assistance	105,000	20,000	0	125,000	20,000	0	125,000
Grants	256,929	26,222	0	283,151	23,613	0	280,542
Debt Service	2,270	1,092	0	3,362	1,092	0	3,362
Total Agency Costs	**1,339,867**	**$114,003**	**$33,826**	**$1,487,696**	**$120,638**	**$33,618**	**$1,494,123**
General Fund	0	319,814	0	319,814	319,815	0	319,815
State Special Revenue Fund	1,251,616	-189,960	-2,174	1,059,482	-183,326	-2,382	1,065,908
Federal Special Revenue Fund	88,251	-15,851	36,000	108,400	-15,851	36,000	108,400
Total Funding Costs	**1,339,867**	**$114,003**	**$33,826**	**$1,487,696**	**$120,638**	**$33,618**	**$1,494,123**

Present Law Mandates

The division work is mandated in Title 76, Chapters 14, 15, and 16, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, and adjustments for longevity and employee benefits.

Operating Expenses - Increases in contracted services of $32,089 in FY96 and $37,089 in FY97 are the major portion of the base adjustment. Sale of at least three additional bonds will add to the bond counsel and arbitrage costs, as well as additional work to ensure environmental compliance. Additional authority is requested for EPA/DHES riparian education, rangeland management, and wetlands projects. The balance of the base adjustments are due to increases for in-state travel, fixed costs, printing, and maintenance contracts.

Equipment - The replacement equipment request of $22,862 in each year is for one vehicle each year, computer equipment, and office equipment.

Local Assistance - Additional funds are requested to assist the conservation districts in local program administration. The request is for $20,000 in each fiscal year.

Grants - Montana Salinity Control Association (MSCA) is a satellite group of conservation districts established to assist with salinity control and other related water quality problems. In the 1995 biennium MSCA received $200,000 per year; the same funding level is recommended for the 1997 biennium.

In accordance with 15-35-108(3)(g), MCA, 1/2 of 1% of the coal severance tax is allocated to the conservation districts. Projections for the biennium are $83,151 in FY96 and $80,542 in FY97.

Debt Service - Share of the principle payment for the department computer.

Statutory Appropriation - There is $6,562,178 in FY96 and $6,576,139 in FY97 for principle and interest payments on coal severance tax bonds and general obligation bonds. The payments are

made from loan repayments on loans made through the Renewable Resource Development Program, the State Revolving Fund Program, and Energy Building Program.

Requested Language - The following language is recommended for the general appropriations act: "The department is appropriated up to $700,000 from the account established in 76-14-112, MCA, for rangeland loans during the 1997 biennium.

All funds deposited in the state special revenue account established in 76-15-530, MCA, are appropriated to the department for distribution as grants to conservation districts.

All funds held in the state special revenue account in accordance with 76-16-106(2), MCA, are appropriated to the department for administration of grazing district activities.

The department is appropriated up to $1.0 million over the biennium from the account established in 85-1-604, MCA, for the purchase of prior liens on property held as loan security as required by 85-1-618, MCA."

New Proposals

Personal Services Reductions - State special revenue supported personal services would be reduced by $11,174 in FY96 and $11,382 in FY97 as part of the target savings to fund the 1997 pay plan.

Safe Drinking Water Request - $45,000 of authority is requested in each year of the biennium to support 1.00 FTE and operating costs for a new program - EPA Drinking Water. The program will provide funding for communities whose drinking water does not meet EPA standards. The funding which is contingent upon passage of federal legislation, would be 80% federal and 20% state special revenue.

Funding

With the passage of HB608 in the 1993 Legislative Session, $165,713 of general fund was replaced with resource indemnity tax trust (RITT) proceeds to support agency operations. Projections for the 1997 biennium indicate that RITT interest earnings available for administrative operations will decline. Therefore, $639,629 of general fund has been added to this program to cover the shortfall. The funding for the program is 22% general fund, 73% state special revenue, and 5% federal.

5706-24 WATER RESOURCES DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	115.50	-4.00	1.00	112.50	-4.00	1.00	112.50
Personal Services	3,816,953	245,380	-130,786	3,931,547	267,548	-132,236	3,952,265
Operating Expenses	940,187	57,844	17,429	1,015,460	69,676	17,622	1,027,485
Equipment	150,825	-11,736	34,887	173,976	-63,036	9,972	97,761
Capital Outlay	5	-5	0	0	-5	0	0
Debt Service	6,555	356	460,000	466,911	356	0	6,911
Total Agency Costs	**4,914,525**	**$291,839**	**$381,530**	**$5,587,894**	**$274,539**	**$-104,642**	**$5,084,422**
General Fund	1,855,112	832,204	-165,217	2,522,099	828,558	-166,789	2,516,881
State Special Revenue Fund	3,006,665	-540,365	546,747	3,013,047	554,019	62,147	2,514,793
Federal Special Revenue Fund	52,748	0	0	52,748	0	0	52,748
Total Funding Costs	**4,914,525**	**$291,839**	**$381,530**	**$5,587,894**	**$274,539**	**$-104,642**	**$5,084,422**

Present Law Mandates

The division work is mandated primarily in Title 85, Chapters 1, 2, 9, and 20, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, upgrades of 13.00 FTE, downgrades of 7.00 FTE, and the reduction of 4.00 FTE effective January 1, 1994, as a result of legislative action in the November 1993 Special Session.

Operating Expenses - Approximately $38,000 of the base adjustments are associated with the water rights function. There is $7,690 is for the Yellowstone Park Cooperative Agreement. Montana will cover one-half of the time, travel, and supply costs for a joint member-at-large to the Technical Oversight Committee. The balance is associated with the completed examinations of 13 basins in FY96 and FY97. There will be additional costs for the preparation of adjudication decree materials and summary reports.

Regional offices are showing an increase in operating expenses of approximately $24,000 in FY96 and $27,000 in FY97. A majority of the increase is associated with costs of doing business: rent, janitorial services, telephones charges, computer networking and processing charges, and postage have all increased.

Equipment - The agency is requesting $139,089 in FY96 and $87,789 in FY97 for the replacement of vehicles, computer equipment, and office furniture.

Debt Service - Share of principle payment on department computer.

Statutory Appropriation - The following language is recommended for the general appropriations act: "Montana receives funds from the national park service for the yellowstone controlled groundwater program, and is allowed to spend the funds as provided in 85-20-402, MCA.

Requested Language - Funds received under the provisions of 85-1-514(4), MCA, are appropriated to the department for the purpose of performing duties required under 85-1-514, MCA.

"Any fines collected under the provisions of Title 85, Chapter 2, and deposited in the water right appropriation account in accordance with 85-2-318, MCA, are appropriated to the department to carry out the enforcement functions required under 85-2-114, MCA.

"Funds received from bonds required by 37-43-306 are appropriated to the department for the purpose of performing remedial action on water wells providing compensation for damages caused by water well violations or paying administration costs incurred by the board of water well contractors."

"All funds currently in or to be deposited in the Broadwater replacement and renewal account are appropriated to the department for repairing or replacing equipment at the Broadwater hydropower facility or to service the Broadwater hydropower bond debt if revenue deposited in the debt service account is insufficient for this purpose.

"All interest earned on the Broadwater users account is appropriated to the department for the purpose of repair, improvement or rehabilitation of the Broadwater-Missouri diversion project.

"Funds received in accordance with 85-3-213, MCA, are appropriated to the department for the purpose of carrying out the review and administration of weather modification applications, permits and licenses.

"Funds received by the department from arbitration, litigation awards, or settlements, including funds from the escrow account currently established in an escrow agreement between Voith Hydro, Inc., the department, and Norwest Bank, Helena, pursuant to agreement 1189.1 Broadwater power project, are authorized to be spent to pay costs, including bond debt associated with the Broadwater power project."

New Proposals

Personal Services Reduction - General fund supported personal services would be reduced by $165,217 in FY96 and $166,789 in FY97 to cover the recommended 1997 biennium pay plan.

Rehabilitation of DNRC State-Owned Dams - Rehabilitation on Middle Creek Dam and North Fork Smith River Dam required loans that are being repaid by the water user association. A $460,000 biennial appropriation is requested for this purpose.

FWP Water Project Rehabilitation - This provides for 1.00 FTE and operating expenses for maintenance and rehabilitation of Department of Fish, Wildlife and Parks (FWP) dams. This is an ongoing activity, but language in HB2 from the 1993 Legislative Session restricts the use of actual expenditures in the constructing of the current level base for the 1997 biennium budget. The funding is FWP state special revenue of $52,647 in FY96 and $52,647 in FY97.

Water Resources Equipment - The agency is requesting state special revenue authority of $34,100 in FY96 and $9,500 in FY97 to purchase new equipment including two vehicles, office equipment, facsimile machines, computers, and software.

Funding

With the passage of HB608 in the 1993 Legislative Session, $926,155 of general fund was replaced with resource indemnity tax trust (RITT) proceeds to support agency operations. Projections for the 1997 biennium indicate that RITT interest earnings available for administrative operations will decline. Therefore, $1,391,951 of general fund has been added to this program to cover the shortfall. The funding for the program is 52% general fund, 47% state special revenue, and 1% federal.

5706-25 RESERVED WATER RIGHTS COMP COM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	11.42	.00	-.42	11.00	.00	-.42	11.00
Personal Services	391,303	48,060	-18,650	420,713	51,096	-18,820	423,579
Operating Expenses	67,830	2,124	0	69,954	2,434	0	70,264
Equipment	9,113	4,474	0	13,587	-3,726	0	5,387
Debt Service	1,158	-37	0	1,121	-37	0	1,121
Total Agency Costs	**469,404**	**$54,621**	**$-18,650**	**$505,375**	**$49,767**	**$-18,820**	**$500,351**
General Fund	0	169,786	0	169,786	169,786	0	169,786
State Special Revenue Fund	469,404	-115,165	-18,650	335,589	-120,019	-18,820	330,565
Total Funding Costs	**469,404**	**$54,621**	**$-18,650**	**$505,375**	**$49,767**	**$-18,820**	**$500,351**

Present Law Mandates

The Montana Reserved Water Rights Compact Commission was authorized under 2-15-212, MCA, and was granted authority to negotiate with tribes and federal agencies under 85-2-701, MCA et. seq.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, upgrades of 3.00 FTE, and a $1,272 per diem increase for compact commission members.

Operating Expenses - There is a minimal increase in operating expenses associated with computer processing costs and maintenance contracts on equipment.

Equipment - There is $13,587 in FY96 and $5,387 in FY97 requested for the replacement of computer equipment and software.

Debt Service - Share of the principle payment for the department computer.

New Proposals

Personal Services Reductions - State special revenue supported personal services would be reduced by $18,650 in FY96 and $18,820 in FY97, and there would be a reduction of 0.42 FTE, for the purpose of funding the recommended 1997 biennium pay plan.

Funding

With the passage of HB608 in the 1993 Legislative Session, $326,747 of general fund was replaced with resource indemnity tax trust (RITT) proceeds to support agency operations. Projections for the 1997 biennium indicate that RITT interest earnings available for administrative operations will decline. Therefore, $339,572 of general fund has been added to this program to cover the shortfall. The funding for the program is 32% general fund and 68% state special revenue.

5706-26 ENERGY DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	36.00	-1.00	-2.00	33.00	-1.00	-2.00	33.00
Personal Services	1,105,651	202,171	-71,553	1,236,269	208,616	-72,102	1,242,165
Operating Expenses	350,366	1,269,003	0	1,619,369	1,248,428	0	1,598,794
Equipment	33,608	-22,616	0	10,992	-21,616	0	11,992
Capital Outlay	250,424	-250,424	0	0	-250,424	0	0
Grants	275,758	-125,758	0	150,000	-125,758	0	150,000
Debt Service	4,630	414	0	5,044	414	0	5,044
Total Agency Costs	**2,020,437**	**$1,072,790**	**$-71,553**	**$3,021,674**	**$1,059,660**	**$-72,102**	**$3,007,995**
General Fund	483,647	108,493	0	592,140	108,867	0	592,514
State Special Revenue Fund	311,975	853,284	0	1,165,259	815,818	0	1,127,793
Federal Special Revenue Fund	900,628	35,200	-71,553	864,275	59,162	-72,102	887,688
Expendable Trust Fund	324,187	75,813	0	400,000	75,813	0	400,000
Total Funding Costs	**2,020,437**	**$1,072,790**	**$-71,553**	**$3,021,674**	**$1,059,660**	**$-72,102**	**$3,007,995**

Present Law Mandates

The division work is mandated primarily under state and federal in Title 90, Chapters 4, Parts 1, 3, and 6, MCA.

Present Law Base

Personal Services - The base adjustments are due to the annualization of the play plan, adjustments for longevity and employee benefits, upgrades of 3.50 FTE, and the reduction of 1.00 FTE during the November 1993 Special Session.

Operating Expenses - There is $989,456 in FY96 and $989,215 in FY97 of appropriation authority being requested in order to spend filing fees paid by applicants seeking Major Facility Siting Act (MFSA) certification of proposed energy facilities, or applicants for state permits which trigger the Montana Environmental Policy Act (MEPA). If no proposals are made, no funds will be available to spend.

A $20,000 biennial appropriation is being requested to carry out mitigation measures as ordered by the Board of Natural Resources and Conservation for Colstrip-Townsend 500-kv transmission lines.

There is $400,000 in each year of the biennium requested to carry out mitigation measures required by the Rock Creek Stipulation and an order from the Board of Natural Resources and Conservation for the 500-kv transmission line crossing Rock Creek.

Equipment - Replacement computer equipment and software is being requested.

Debt Service - Share of principle payment on department computer.

Language Request - The following language is recommended for the general appropriations act: "The department is appropriated up to $300,000 from the Rock Creek trust account in addition to the $400,000 included in each fiscal year of the biennium. The total appropriation may not exceed $1,100,000 over the 1997 biennium."

New Proposals

Personal Services Reductions - Federally supported personal services would be reduced by $71,553 in FY96 and $72,102 in FY97, and 2.00 FTE, in order to fund the 1997 biennium pay plan.

Funding

The program is funded 19% general fund, 37% state special revenue, 31% federal special revenue, and 13% expendable trust fund.

Department of Agriculture

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	107.49	-1.66	-4.67	101.16	-1.66	-4.67	101.16
Personal Services	3,160,022	240,921	-158,049	3,242,894	246,264	-158,517	3,247,769
Operating Expenses	1,553,794	246,184	339,023	2,139,001	300,702	339,005	2,193,501
Equipment	306,805	-34,205	39,877	312,477	-92,205	130,216	344,816
Grants	3,051,768	-446,166	0	2,605,602	-446,238	0	2,605,530
Benefits and Claims	1,000	-1,000	0	0	-1,000	0	0
Transfers	68,750	6,250	0	75,000	6,250	0	75,000
Total Agency Costs	**8,142,139**	**$11,984**	**$220,851**	**$8,374,974**	**$13,773**	**$310,704**	**$8,466,616**
General Fund	467,821	-701	0	467,120	-17,539	0	450,282
State Special Revenue Fund	6,916,651	-102,529	99,422	6,913,544	-87,978	143,245	6,971,918
Federal Special Revenue Fund	467,068	94,933	121,429	683,430	93,084	167,459	727,611
Proprietary Fund	216,168	17,357	0	233,525	21,254	0	237,422
Expendable Trust Fund	74,431	2,924	0	77,355	4,952	0	79,383
Total Funding Costs	**8,142,139**	**$11,984**	**$220,851**	**$8,374,974**	**$13,773**	**$310,704**	**$8,466,616**
Central Management Division	479,012	68,559	-1,195	546,376	51,816	-1,236	529,592
Agricultural Sciences Div.	4,681,989	-361,731	44,115	4,364,373	-398,786	110,973	4,394,176
Agricultural Development	2,981,138	305,156	177,931	3,464,225	360,743	200,967	3,542,848
Total Program Costs	**8,142,139**	**$11,984**	**$220,851**	**$8,374,974**	**$13,773**	**$310,704**	**$8,466,616**

MISSION STATEMENT: To protect, enhance, and develop all agriculture in Montana; to encourage and promote production and marketing for agriculture and allied industries; and to provide protection for producers and consumers through administration and enforcement of statutes established by Montana's legislature.

The Department of Agriculture was reorganized in FY94 in order to increase efficiencies, make better use of resources, and deliver improved services to the industry and general public. The State Grain Laboratory went from division status to a bureau within the Agricultural Development Division. Three programs - Marketing, State Hail Insurance, and Rural Development - were consolidated into the Rural Development Bureau also in the Agricultural Development Division. The Agricultural and Biological Sciences Division was consolidated with the Plant Industry Division and renamed Agricultural Sciences Division.

6201-15 CENTRAL MANAGEMENT DIVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	11.50	.00	.00	11.50	.00	.00	11.50
Personal Services	372,505	40,134	-1,195	411,444	41,369	-1,236	412,638
Operating Expenses	98,516	23,816	0	122,332	-4,162	0	94,354
Equipment	7,991	4,609	0	12,600	14,609	0	22,600
Total Agency Costs	**479,012**	**$68,559**	**$-1,195**	**$546,376**	**$51,816**	**$-1,236**	**$529,592**
General Fund	130,055	29,900	0	159,955	12,970	0	143,025
State Special Revenue Fund	236,795	26,413	0	263,208	26,413	0	263,208
Federal Special Revenue Fund	76,235	13,336	-1,195	88,376	13,523	-1,236	88,522
Proprietary Fund	26,202	-485	0	25,717	-485	0	25,717
Expendable Trust Fund	9,725	-605	0	9,120	-605	0	9,120
Total Funding Costs	**479,012**	**$68,559**	**$-1,195**	**$546,376**	**$51,816**	**$-1,236**	**$529,592**

Present Law Mandates

The program work is mandated in Title 80 and Title 2, Chapter 15, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, upgrades of 2.00 FTE, and downgrade of 0.75 FTE.

Operating Expenses - The proposed budget allows this program to maintain its base level of operation. Base adjustments are associated with fixed costs, national dues, and public relation expenses associated with foreign trade team activities.

Equipment - There is $12,600 in FY96 and $22,600 in FY97 requested for the replacement of computer and office equipment.

New Proposals

Personal Services Reductions - There is $1,195 in FY96 and $1,236 in FY97 of federal funds reduced from personal services in order to meet the target of providing a 1997 biennium pay plan.

Funding

The program is funded with: general fund, 29% in FY96 and 27% in FY97; state special revenue, 48% in FY96 and 50% in FY97; 16% federal special revenue; 5% proprietary; and 2% expendable trust.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	53.96	-1.33	-4.67	47.96	-1.33	-4.67	47.96
Personal Services	1,607,717	135,023	-152,075	1,590,665	137,698	-152,338	1,593,077
Operating Expenses	684,171	109,645	175,713	969,529	159,087	175,695	1,018,953
Equipment	168,649	27,751	20,477	216,877	-61,349	87,616	194,916
Grants	2,220,452	-633,150	0	1,587,302	-633,222	0	1,587,230
Benefits and Claims	1,000	-1,000	0	0	-1,000	0	0
Total Agency Costs	**4,681,989**	**$-361,731**	**$44,115**	**$4,364,373**	**$-398,786**	**$110,973**	**$4,394,176**
General Fund	138,300	-31,410	0	106,890	-31,670	0	106,630
State Special Revenue Fund	4,148,196	-412,862	-38,509	3,696,825	-447,687	-17,722	3,682,787
Federal Special Revenue Fund	390,833	81,597	82,624	555,054	79,561	128,695	599,089
Proprietary Fund	4,660	944	0	5,604	1,010	0	5,670
Total Funding Costs	**4,681,989**	**$-361,731**	**$44,115**	**$4,364,373**	**$-398,786**	**$110,973**	**$4,394,176**

Present Law Mandates

The program work is mandated primarily in Title 80, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, reorganization, 9.00 FTE upgrades 7.00 of which were approved by the 53rd Legislature, and a downgrade of 1.00 FTE.

Operating Expenses - The base adjustments increase by $109,645 in FY96 and $159,087 in FY97 for nine distinct activities. One increase is in the Montana Mint Program where the agency is requesting approximately $24,000 in additional authority per year for consulting and professional services. The Mint Committee, using producer check-off funds, issues contracts to the Mint Industry Research Council (MIRC) and to the Montana State University - Agricultural Experimental Station to conduct research on mint production, varieties, pest and weed control and plant nutrients.

Operating expenses in the Ag Commodities Program increase by $24,560 in FY96 and $36,028 in FY97. This program includes the apiary, nursery, seed and commodity dealer, and public warehouseman programs. A major objective of the department is to upgrade these activities to facilitate improved inspection and technical staff expertise and more proactive assistance to respective agricultural industries to meet regulatory standards.

The Ground Water Management Program has operating expense increases of $23,662 in FY96 and $48,195 in FY97. The largest single increase is $22,975 in FY97 for consulting and professional services which will be used to assist in developing and implementing the state Agricultural Chemical Ground Water Act and for determining and resolving pesticide and fertilizer problems in ground water. Maintenance contracts for laboratory and office equipment increase by $10,980 per year. Other increases are in fixed costs and travel.

Increases in the other six activities are minimal and allow the activity to maintain current level operation.

Equipment - The request is for $196,400 in FY96 and $107,300 in FY97 for replacement of vehicles, laboratory, computer, and office equipment.

Grants - There is $1,587,302 in FY96 and $1,587,230 in FY97 for Noxious Weed grants to counties and professional societies; and for educational grants, universities/colleges, and special projects.

New Proposals

Personal Services Reduction - There is 5.00 FTE and $158,855 in FY96 and $159,136 in FY97 reduced from personal services. The reduction would be 40% state special revenue and 60% federal for support of the proposed pay plan.

Pesticide/Ground Water Support - Contract for clerical support for the Technical Services and Field Services Bureaus in processing and issuing of pesticide registrations and licenses; filing related materials; preparing, typing, and filing ground water correspondence and plans. The funding would be 50% state special revenue and 50% federal.

ASD-Pesticide Recordkeeping - The purpose of this proposal is to enter into a cooperative agreement with the U. S. Department of Agriculture (USDA) to assist certified farm applicators in complying with and maintaining application records as required by section 1491 of the FACT Act of 1990 (7 CFR, Part 110). A 0.33 FTE is being requested for both years of the biennium. USDA will train the staff person and will provide the educational materials. The program through the 1997 biennium will focus on providing education, assisting farmers, and gathering data. The position will be supported with federal funds.

Pesticide Equipment - There is $4,000 for computer software in FY96 requested in order to attach one of the High Pressure Liquid Chromatography (HPLC) systems directly to the Laboratory Information Management System (LIMS) so the LIMS will communicate with the HPLC data station and collect raw laboratory data. Additional software is requested in FY97 to update LIMS.

The agency is scheduled to receive Environmental Protection Agency (EPA) discretionary laboratory equipment funding of $31,150 in FY97. State pesticide agencies receive these funds on a three year rotation basis. The agency intends to purchase an Automatic Extraction Unit for solid phase cartridge extraction and/or disk extraction for pesticide residues in soils and vegetation.

The agency is also requesting to purchase a vehicle for the pesticide enforcement program in FY97. The pesticide equipment request would be supported with federal funding.

Groundwater Equipment - Requested is $13,800 in FY97 for a Bucki Evaporator, two permanemt telog recorders for monitoring wells, and a "Trumble" Geographic Position System (GPS). The request is supported with 100% state special revenue.

Feeds & Fertilizers - Equipment - There is $16,477 in FY96 and $23,466 in FY97 of state special revenue appropriation authority requested to purchase laboratory equipment.

BA223 EPA Grant Funds - A budget amendment for $134,530 was approved in October of 1993 for the 1995 biennium. The federal EPA pesticide cooperative agreement grants funds would assist the agency in implementing new EPA certification, worker protection and enforcement program initiatives. It is anticipated that there will be an increase in grant funds for the 1997 biennium to $150,000 each year. The increase will be for updating EPA certification standards for use of restricted pesticides by applicators; full implementation of the ground water pesticide program; implementation of pesticide mixing/loading and storage standards; and completing the implementation of the pesticides workers protection program and the pesticide endangered species program.

Funding

The funding for the program is 2.5% general fund, 86.5% state special revenue, 10.9% federal special revenue, and 0.1% proprietary.

6201-40 PLANT INDUSTRY DIVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Total Agency Costs	0	$0	$0	$0	$0	$0	$0
Total Funding Costs	0	$0	$0	$0	$0	$0	$0

6201-50 AGRICULTURAL DEVELOPMENT

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	42.03	-.33	.00	41.70	-.33	.00	41.70
Personal Services	1,179,800	65,764	-4,779	1,240,785	67,197	-4,943	1,242,054
Operating Expenses	771,107	112,723	163,310	1,047,140	145,777	163,310	1,080,194
Equipment	130,165	-66,565	19,400	83,000	-45,465	42,600	127,300
Grants	831,316	186,984	0	1,018,300	186,984	0	1,018,300
Transfers	68,750	6,250	0	75,000	6,250	0	75,000
Total Agency Costs	2,981,138	$305,156	$177,931	$3,464,225	$360,743	$200,967	$3,542,848
General Fund	199,466	809	0	200,275	1,161	0	200,627
State Special Revenue Fund	2,531,660	283,920	137,931	2,953,511	333,296	160,967	3,025,923
Federal Special Revenue Fund	0	0	40,000	40,000	0	40,000	40,000
Proprietary Fund	185,306	16,898	0	202,204	20,729	0	206,035
Expendable Trust Fund	64,706	3,529	0	68,235	5,557	0	70,263
Total Funding Costs	2,981,138	$305,156	$177,931	$3,464,225	$360,743	$200,967	$3,542,848

Present Law Mandates

The program work is mandated primarily in Title 80, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, reorganization, upgrades of 2.29 FTE, and downgrades of 3.00 FTE. Operating Expenses - The total increase of operating expenses in this program is $112,723 in FY96 and $145,777 in FY97. There are eight separate activities within the program, and base adjustments in seven of the eight are minimal and allow the activities to maintain current level operations.

Operating expenses in the Wheat and Barley Bureau increase by $71,667 in FY96 and $100,517 in FY97. USWA, WFC, BFC - dues increases are based on grain production. Requested is $483,000 is requested for FY96 and $512,000 in FY97, which are equal to the 1995 biennium requests. The increases over the FY94 actual are $63,137 and $92,137, respectively. Other minor increases are in fixed costs, contracted services, and vehicle maintenance.

During the November 1993 Special Session, a modification was approved for the state grain laboratory due to an unexpected increase in the volume of grain samples. The proposal included 9.90 FTE and state special revenue authority of $321,796 in FY94 and $256,593 in FY95. Language was included in HB2 which restricted the use of the authority only to expenditures relating to the state

grain laboratory program. It is recommended that the restrictive language continue into the 1997 biennium, and be applied to 9.90 FTE and authority of $254,604 in FY96 and $254,611 in FY97.
Equipment - There is $63,600 in FY96 and $84,700 in FY97 requested for the replacement of equipment including vehicles and computers.
Requested Language - The following general appropriations act language is recommended: "The department is authorized to make grants to state agencies from the growth through agriculture account as approved by the Montana agriculture development council in accordance with Title 90, Chapter 9, MCA. The state agency that receives a grant from the Montana Agriculture Development Council is authorized additional appropriation authority equal to the grant amount.

New Proposals
Personal Services Reductions - There will be a reduction of $4,779 in FY96 and $4,943 in FY97 of state special revenue to support the proposed pay plan.

Grain Sub-Lab - The purpose of this proposal is to provide a State Grain Laboratory field sub-laboratory in southeastern Montana. Grain producers and the industry need access to prompt official inspection and grading services for contract settlement on grain transactions. The proposal will be self-supporting with fees for service. There is $135,310 in FY96 and $163,410 in FY97 of appropriation authority requested.

Wheat and Barley Equipment - State special revenue of $1,200 is requested in FY96 to purchase a multi-media VCR/TV for education and promotion.

Grain Laboratory Equipment - Requested $1,200 for a multi-media VCR/TV for grain grading and dockage education and $5,000 for a updated telephone system in FY96. In FY97, there is $2,500 requested for a portable lap top computer with printer. The proposal will be supported with state special revenue.

BA222 Christmas Tree Promotion - Federal Market Promotion Program funds (MPP) are received from the U. S. Department of Agriculture (USDA), through the Western United States Agriculture Trade Association (WUSATA), to assist the Christmas tree industry in Montana with the development of markets for the sale of their products to the Republic of China on Taiwan. Montana is the lead state providing program services, which include import contracts, promotional activities, and assistance with overseas shipments. There is $40,000 of authority requested in each year of the biennium. A budget amendment of $18,000 was approved for the 1995 biennium.

Funding
The funding is 6% general fund, 86% state special revenue, 6% proprietary, and 2% expendable trust fund.

Department of Commerce

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	335.69	-.88	-3.00	331.81	-.88	-3.00	331.81
Personal Services	10,982,234	665,266	-162,196	11,485,304	719,779	-165,649	11,536,364
Operating Expenses	18,940,790	332,728	621,110	19,894,628	-171,463	470,625	19,239,952
Equipment	412,529	-145,124	363,786	631,191	-164,039	66,400	314,890
Local Assistance	1,698,083	128,917	0	1,827,000	183,727	0	1,881,810
Grants	24,963,595	13,640,735	0	38,604,330	6,153,865	0	31,117,460
Transfers	144,918	-144,918	0	0	-144,918	0	0
Debt Service	15,484	-4,102	0	11,382	-11,391	0	4,093
Total Agency Costs	**57,157,633**	**$14,473,502**	**$822,700**	**$72,453,835**	**$6,565,560**	**$371,376**	**$64,094,569**
General Fund	1,429,263	293,953	-446	1,722,770	269,849	-663	1,698,449
State Special Revenue Fund	16,655,031	5,349,261	612,133	22,616,425	-369,716	592,642	16,877,957
Federal Special Revenue Fund	24,783,944	9,773,114	85,624	34,642,682	7,825,238	60,393	32,669,575
Proprietary Fund	14,289,395	-942,826	125,389	13,471,958	-1,159,811	-280,996	12,848,588
Total Funding Costs	**57,157,633**	**$14,473,502**	**$822,700**	**$72,453,835**	**$6,565,560**	**$371,376**	**$64,094,569**
Business Regulatory Services	88,226	-88,226	0	0	-88,226	0	0
Weight & Measures Bureau	524,046	78,916	46,594	649,556	88,820	33,801	646,667
Banking & Financial Division	1,039,865	183,888	-4,835	1,218,918	149,640	-5,047	1,184,458
Milk Control Bureau	223,335	12,117	0	235,452	13,241	0	236,576
Pol Bureau	4,330,131	436,306	253,755	5,020,192	353,166	246,761	4,930,058
Economic Development Division	3,849,847	1,452,317	14,554	5,316,718	1,285,667	14,337	5,149,851
Montana Promotion Division	7,172,265	175,262	-4,084	7,343,443	249,695	-4,263	7,417,697
Community Development Bureau	24,416,080	12,847,631	85,624	37,349,335	5,341,514	60,393	29,817,987
Local Govt Audit & Systems Bur	1,247,110	-136,887	-516,134	594,089	-126,989	-518,166	601,955
Local Govt Assistance Admin	127,280	2,349	0	129,629	2,433	0	129,713
Building Codes Bureau	1,437,107	69,248	314,130	1,820,485	73,568	314,500	1,825,175
Indian Affairs Coordinator	164,520	7,986	0	172,506	8,725	0	173,245
Health Facilities Authority	137,237	34,263	0	171,500	17,327	0	154,564
Mt Science & Tech Alliance	332,103	15,798	0	347,901	14,428	0	346,531
Board Of Housing	1,077,325	303,987	-2,681	1,378,631	214,432	-2,798	1,288,959
Board Of Investments	1,745,176	95,541	80,204	1,920,921	8,411	79,969	1,833,556
Montana State Lottery	8,114,502	-1,079,247	113,298	7,148,553	-1,109,189	113,004	7,118,317
Board Of Horse Racing	226,791	38,769	0	265,560	43,667	0	270,458
Director/management Services	904,687	23,484	442,275	1,370,446	25,230	38,885	968,802
Total Program Costs	**57,157,633**	**$14,473,502**	**$822,700**	**$72,453,835**	**$6,565,560**	**$371,376**	**$64,094,569**

MISSION STATEMENT: To facilitate the growth of the economy of Montana by providing meaningful assistance to businesses and entrepreneurs in the state; encourage companies located outside of Montana's borders to develop facilities and business within Montana; promote Montana as a travel destination to tourists throughout the world; assist in the marketing of Montana made products and services to domestic and international consumers; recommend courses of action and statutory changes which facilitate the growth and health of responsible business enterprises in the state; design and implement licensing and other systems which protect the public from unfair, unsafe, incompetent or deceptive services or products while minimizing the regulatory burden on those individuals who are qualified and ethical in their business practices and produce quality products and services; encourage and assist local communities in developing their public infrastructure to maintain and facilitate a vibrant and healthy environment for their citizens and visitors; encourage and assist local communities in preparing for and accomplishing economic development initiatives which provide economic opportunities for the citizens of that community; provide a work environment for the employees of the Department of Commerce which is positive and provides intellectual and creative challenges allowing them to achieve and satisfy their personal employment goals.

6501-01 BUSINESS REGULATORY SERVICES

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	1.00	-1.00	.00	.00	-1.00	.00	.00
Personal Services	78,757	-78,757	0	0	-78,757	0	0
Operating Expenses	9,069	-9,069	0	0	-9,069	0	0
Debt Service	400	-400	0	0	-400	0	0
Total Agency Costs	**88,226**	**$-88,226**	**$0**	**$0**	**$-88,226**	**$0**	**$0**
Proprietary Fund	88,226	-88,226	0	0	-88,226	0	0
Total Funding Costs	**88,226**	**$-88,226**	**$0**	**$0**	**$-88,226**	**$0**	**$0**

Present Law Base

The administrator position for the Business Regulatory Services Division was eliminated for FY95 in the November 1993 Special Legislative Session. The administrator would retire at the end of calendar 1994, and the department recommended the elimination of the position and the addition of a bureau chief position in the Weights and Measures Bureau to assume supervisory responsibilities effective January 1, 1994.

6501-02 WEIGHT & MEASURES BUREAU

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	10.50	.50	.00	11.00	.50	.00	11.00
Personal Services	291,601	41,278	-2,106	330,773	42,267	-2,199	331,669
Operating Expenses	146,916	-3,033	16,000	159,883	-1,918	16,000	160,998
Equipment	85,332	40,868	32,700	158,900	48,668	20,000	154,000
Debt Service	197	-197	0	0	-197	0	0
Total Agency Costs	**524,046**	**$78,916**	**$46,594**	**$649,556**	**$88,820**	**$33,801**	**$646,667**
General Fund	20,000	-20,000	0	0	-20,000	0	0
State Special Revenue Fund	504,046	98,916	46,594	649,556	108,820	33,801	646,667
Total Funding Costs	**524,046**	**$78,916**	**$46,594**	**$649,556**	**$88,820**	**$33,801**	**$646,667**

Present Law Mandates

The program work is mandated in Title 30, Chapter 12, and Title 82, Chapter 15, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, and the annualization of the bureau chief position which was added during the November 1993 Special Legislative Session.

Operating Expenses - Adjustments are minimal and the proposed budget allows this program to maintain its current level of operation.

Equipment - There is $63,100 in FY96 requested to replace four trucks, a generator, and three 30 pound test kits. In FY97 the request is $67,000 for the replacement of a 2 1/2 ton tandem truck.

New Proposals

Personal Services Reduction - Personal services would be decreased by $2,106 in FY96 and $2,199 in FY97 of state special revenue to pay for the proposed 1997 biennium pay plan.

Petroleum Testing - The program is authorized under 82-15-104, MCA, to employ a laboratory to test petroleum products. The program has never had sufficient funds to actively pursue a testing program to assure that all of the petroleum products purchased in Montana actually contain the level of octane advertised to the public. This additional funding will allow the program staff to take samples of gasoline and test octane level of 40 gas pumps per year at a laboratory cost of approximately $400 per test. There is $16,000 of state special revenue authority requested in each year of the biennium.

Weights & Measures Equipment - In FY96 $32,700 of state special revenue authority is requested to purchase two 100 gallon field provers, a 2000 pound laboratory standard, seven class F gram kits, and a 30kg mass comparator. In FY97 requested is 20,000 pound slab weight and dolly for $20,000.

Funding

The funding for the program is state special revenue.

6501-36 BANKING & FINANCIAL DIVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	25.25	.00	.00	25.25	.00	.00	25.25
Personal Services	731,462	127,418	-4,835	854,045	131,437	-5,047	857,852
Operating Expenses	262,577	32,576	0	295,153	32,839	0	295,416
Equipment	45,344	24,376	0	69,720	-14,154	0	31,190
Debt Service	482	-482	0	0	-482	0	0
Total Agency Costs	**1,039,865**	**$183,888**	**$-4,835**	**$1,218,918**	**$149,640**	**$-5,047**	**$1,184,458**
State Special Revenue Fund	1,039,865	183,888	-4,835	1,218,918	149,640	-5,047	1,184,458
Total Funding Costs	**1,039,865**	**$183,888**	**$-4,835**	**$1,218,918**	**$149,640**	**$-5,047**	**$1,184,458**

Present Law Mandates

The program work is mandated primarily in Titles 2, 31 and 32, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, the upgrade of 1.00 FTE, and the downgrade of 1.00 position.
Operating Expenses - Fixed cost adjustments account for increases of $16,757 in FY96 and $15,604 in FY97. In-state travel increases by approximately $14,000 in FY96 and $15,000 in FY97. Travel was adjusted based on the assumption that the program will have a full staff of examiners in the 1997 biennium.
Equipment - The request of $69,720 in FY96 and $31,190 in FY97 is for the replacement of computers and office equipment, and two vehicles.

New Proposals

Personal Services Reduction - Personal services would be decreased by $4,835 in FY96 and $5,047 in FY97 of state special revenue to pay for the proposed 1997 biennium pay plan.

Funding

The funding for the program is state special revenue.

6501-37 MILK CONTROL BUREAU

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	5.00	.00	.00	5.00	.00	.00	5.00
Personal Services	154,067	10,805	0	164,872	11,531	0	165,598
Operating Expenses	69,268	1,312	0	70,580	1,710	0	70,978
Total Agency Costs	**223,335**	**$12,117**	**$0**	**$235,452**	**$13,241**	**$0**	**$236,576**
State Special Revenue Fund	223,335	12,117	0	235,452	13,241	0	236,576
Total Funding Costs	**223,335**	**$12,117**	**$0**	**$235,452**	**$13,241**	**$0**	**$236,576**

Present Law Mandates
The program work is mandated primarily in Titles 2, and 81, Chapter 23, MCA.

Present Law Base
Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, and per diem adjustments for the Milk Control Board.
Operating Expenses - Adjustments are minimal and the proposed budget allows this program to maintain its current level of operation.

Funding
The funding for the program is state special revenue.

6501-39 POL BUREAU

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	43.03	2.00	4.00	49.03	2.00	4.00	49.03
Personal Services	1,319,556	181,203	99,586	1,600,345	188,888	99,502	1,607,946
Operating Expenses	2,882,761	381,332	151,864	3,415,957	292,092	147,259	3,322,112
Equipment	127,012	-125,427	2,305	3,890	-127,012	0	0
Debt Service	802	-802	0	0	-802	0	0
Total Agency Costs	**4,330,131**	**$436,306**	**$253,755**	**$5,020,192**	**$353,166**	**$246,761**	**$4,930,058**
State Special Revenue Fund	3,236,929	324,764	245,328	3,807,021	246,509	238,651	3,722,089
Proprietary Fund	1,093,202	111,542	8,427	1,213,171	106,657	8,110	1,207,969
Total Funding Costs	**4,330,131**	**$436,306**	**$253,755**	**$5,020,192**	**$353,166**	**$246,761**	**$4,930,058**

Present Law Mandates
The program work is mandated primarily in Title 2, Chapter 15, and Title 39, MCA.

Present Law Base
There are 36 regulatory boards assigned to the Professional and Occupational Licensing (POL) Bureau and allocated to the department for administrative purposes. The board members are appointed by the Governor.

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, program transfers, 7.00 FTE downgrades, 7.53 FTE upgrades, and per diem adjustments for board members.
Operating Expenses - The base adjustments amount to $381,332 in FY96 and $292,092 in FY97. Travel for board members and staff increases by approximately $81,000 each year; the legal contingency fund of $70,000 per year, previously included in the Business Regulatory Services Program budget, has been transferred to the POL Bureau budget; contracted services increase by $56,607 in FY96 and $55,207 in FY97; and fixed costs increase by $20,822 in FY96 and $10,962 in FY97.
Equipment - The Board of Medical Examiners is requesting $1,585 in FY96 to replace office equipment.

New Proposals

Personal Services Reduction - Personal services would be decreased by $8,431 in FY96 and $8,800 in FY97 of state special revenue to pay for the proposed 1997 biennium pay plan.

Board of Medical Examiners Equipment - $2,305 is requested in FY96 to purchase office equipment; file cabinets, bookcase, typewriter, and a shredder.

Professional/Occupational Licensing - This proposal contains requests of six boards and the POL Bureau. There are 3.25 FTE requested by the Board of Outfitters in order to provide the minimum staff to adequately serve the increasing outfitter, guide, and client population, with 1.25 FTE for administrative and office needs and 2.00 FTE for enforcement. The remaining 0.75 FTE of the total program request is for administrative support in the POL Bureau. The operating expenses request are as follows:

- $5,000 each year so the Board of Real Estate Appraisers can provide copies of the Uniform Standards of Professional Appraisal Practice to their licensees.
- $15,000 each year to provide a training program for licensees of the Board of Private Security Patrol Officers and Investigators. The board would be working cooperatively with the Montana Law Enforcement Academy.
- The Board of Social Work Examiners and Professional Counselors is requesting $30,000 of authority each year for a series of two day conferences on "Ethics and the Mental Health Profession".
- $37,500 was requested by the Board of Pharmacy in each year for contacted services. The board wants to contract for a pharmacy inspector to ensure conformity with the state licensing laws. There would be 150 inspections per year.
- $55,614 in FY96 and $50,986 in FY97 is being requested by the Board of Medical Examiners. This includes $25,000 per year for outside legal services. This was a line item in previous budgets but was omitted in the 1995 request. The board is requesting that it be restored. The remainder of the request is for peer reviews by the Montana Wyoming Foundation, the Montana Professional Assistance Program, contracted clerical support, and law book printing for medical doctors and physician assistants.

All board requests would be supported with state special revenue: the request of the POL Bureau would be supported with proprietary funds.

Funding

State special revenue funds support the individual regulatory boards and proprietary funds support the Professional and Occupational Licensing (POL) Bureau.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	24.46	1.37	.00	25.83	1.37	.00	25.83
Personal Services	849,653	61,456	-4,946	906,163	65,597	-5,163	910,087
Operating Expenses	796,551	314,504	12,128	1,123,183	138,713	16,300	951,564
Equipment	25,084	-25,084	7,372	7,372	-25,084	3,200	3,200
Grants	2,178,559	1,101,441	0	3,280,000	1,106,441	0	3,285,000
Total Agency Costs	**3,849,847**	**$1,452,317**	**$14,554**	**$5,316,718**	**$1,285,667**	**$14,337**	**$5,149,851**
General Fund	826,091	45,828	-446	871,473	21,841	-663	847,269
State Special Revenue Fund	467,759	114,235	15,000	596,994	151,338	15,000	634,097
Federal Special Revenue Fund	2,555,997	1,292,254	0	3,848,251	1,112,488	0	3,668,485
Total Funding Costs	**3,849,847**	**$1,452,317**	**$14,554**	**$5,316,718**	**$1,285,667**	**$14,337**	**$5,149,851**

Present Law Mandates

The program work is mandated primarily in Title 30, Chapter 16, Title 17, Chapter 6, and Title 90, Chapter 1, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for employee benefits, the upgrade of 1.00 FTE, the downgrades of 2.00 FTE, and the program transfer of positions.

Operating Expenses - The operating expense adjustments are $312,504 in FY96 and $138,713 in FY97. A significant portion of the adjustment is in consulting and professional services, $248,214 in FY96 and $73,214 in FY97. The agency is the recipient of two federal grants which will carry over into FY96: $130,000 from a U. S. Department of Labor Microenterprise grant and $50,000 from the U. S. Small Business Administration to help low-income entrepreneurs.

The Montana Small Business Development Center (SBDC) has expanded the statewide network of regional service centers to seven and has increased funding to some. The total requested for this contracted services function is $210,000 of federal funds in each year of the biennium.

The contracted services request also includes funding to continue the contract offices in Taipei and Kumamoto. The total request is $122,050 in FY96 and $127,050 in FY97.

The FastTrac business program started in March 1994 with funding from US West. An annualization of the contracted service program has been included in this request.

Other increases are in the areas of fixed costs which increased by $11,960 in FY96 and $6,462 in FY97; travel increased by $8,796 in each year; rents on the Taipei and Kumamoto offices will increase by an estimated $7,239 per year, FY94 rents were low due to prepayment and subsidies which have ended; and maintenance contracts will increase by $9,412 per year.

Grants - There is $3,280,000 in FY96 and $3,285,000 in FY97 budgeted for community economic development project grants and supported with Community Development Block Grant (CDBG) funds.

New Proposals

Personal Services Reduction - Personal services would be decreased by $4,946 in FY96 and $5,163 in FY97 of general fund to pay for the proposed 1997 biennium pay plan.

Census 2000 Preparation - The purpose of the proposal is to provide operating expenses for planning activities related to Census 2000. The plan is to reactivate a 12-member advisory council to address

concerns, procedures, and public education related to the census project. There is $4,500 of general fund is requested for each year of the biennium.

Census User Fee Recovery - The proposal would establish a state special revenue account with income from the sale of data products. Currently, income from such sales is deposited directly in the general fund. Revenues would be used for the purchase of a computer and software, computer processing, and electronic information. State special revenue authority of $15,000 each year of the biennium is requested.

Financing Programs - Legislative approval will be sought to enhance the Microbusiness Financing Act which provides loans to businesses employing less than ten employees and generating less than $500,000 in gross revenue, by increasing the amount of money available to loan by $3.25 million and to increase individual loan amounts from $20,000 to $35,000. This program serves very small businesses in Montana which, by definition provide 80% of the wage and salary jobs in the state. The program provides financing for working capital assets and fixed asset acquisitions with more flexible repayment terms than those offered by commercial financial institutions. Technical assistance is also offered to the borrower.

Approval of the Job Investment Act will be sought. This act will create authority for the Department of Commerce to invest $8 million of coal severance tax trust funds as loans to private businesses to finance working capital and fixed asset acquisitions for the purpose of business expansion and job creation. The maximum loan will be $500,000 and must be matched by an equal amount in equity or other debt acquired funds. The loans will not be tied to the creation of low-to-moderate income jobs as is the Community Development Block Grant (CDBG) Program.

The Montana University system will request $13 million of coal severance tax trust funds, to support research and development activities in the coming biennium. A majority of the funds will be used as matching funds for federal and private grants. The balance will fund centers of excellence and provide a contingency account for project opportunities not yet identified.

Funding

The funding for the program in FY96 is 16% general fund, 11% state special revenue, and 73% federal, and in FY97 is 17% general fund, 12% state special revenue, and 71 federal.

6501-52 MONTANA PROMOTION DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	20.33	1.00	.00	21.33	1.00	.00	21.33
Personal Services	678,273	24,904	4,084	699,093	28,239	-4,263	702,249
Operating Expenses	4,758,780	58,570	0	4,817,350	74,858	0	4,833,638
Equipment	36,021	-36,021	0	0	-36,021	0	0
Local Assistance	1,698,083	128,917	0	1,827,000	183,727	0	1,881,810
Debt Service	1,108	-1,108	0	0	-1,108	0	0
Total Agency Costs	7,172,265	$175,262	$-4,084	$7,343,443	$249,695	$-4,263	$7,417,697
State Special Revenue Fund	7,172,265	175,262	4,084	7,343,443	249,695	-4,263	7,417,697
Total Funding Costs	7,172,265	$175,262	$-4,084	$7,343,443	$249,695	$-4,263	$7,417,697

Present Law Mandates
The program work is mandated primarily in Title 15, Chapter 65, and Title 2, Chapter 15, MCA.

Present Law Base
Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, the upgrades of 3.00 FTE, the downgrades of 2.00 FTE, and the program transfer of a position.
Operating Expenses - The proposed operating budget allows this program to maintain its current level of operations. Inflation factors account for increases of $48,749 in FY96 and $76,951 in FY97 in the requested operating budget.
Local Assistance - By statute, Travel Montana, is required to disburse 25% of the accommodations tax to local qualifying organizations. Based upon projected revenues, $1,827,000 in FY96 and $1,881,810 in FY97 is requested.

New Proposals
Personal Services Reduction - Personal services would be decreased by $4,084 in FY96 and $4,263 in FY97 of proprietary funds to pay for the proposed 1997 biennium pay plan.

Use of Accommodations Tax Funds - It is estimated that an additional $200,000 to $300,000 will be collected in each year of the 1997 biennium. The revenue increase to the Montana Promotion Division would be $125,000 to $185,000 per year. The Tourism Advisory Council (TAC) executive committee and Travel Montana propose the implementation of the following programs to utilize the additional revenue in the most beneficial way:

1. Grants program for tourism related development or enhancement. Funds would be used as matching, bonding, or outright grants. The TAC and the Montana Promotions Division would handle the implementation of the process. Focus would be on areas targeted by the strategic planning process as having the most need, or to take advantage of unique opportunities. Anticipated funding would be $300,000 each year of the biennium.
2. Make funds available for projects for rural communities that have completed the tourism assessment program. The assessment program is a year-long process in which a community identifies and prioritizes potential tourism projects acceptable to the community. It is anticipated that $120,000 for the biennium would be available for implementation of the projects either as a grant or matching funds.
3. Support the Governor's recommendation to increase the percentage of the state accomodations tax revenue from 1% to 1.75% to fund tour guides and historic exhibitions at the Montana Historical Society. The increase will add $75,000 each year which also will include restoration at the Original Governor's Mansion. Legislation is required to implement this recommendation.

Funding
The funding for the program is state special revenue.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	25.75	1.75	.00	27.50	1.75	.00	27.50
Personal Services	830,488	110,166	-5,266	935,388	113,829	-5,497	938,820
Operating Expenses	767,446	205,531	65,890	1,038,867	204,121	65,890	1,037,457
Equipment	33,110	-7,360	25,000	50,750	-23,860	0	9,250
Grants	22,785,036	12,539,294	0	35,324,330	5,047,424	0	27,832,460
Total Agency Costs	**24,416,080**	**$12,847,631**	**$85,624**	**$37,349,335**	**$5,341,514**	**$60,393**	**$29,817,987**
General Fund	236,954	51,105	0	288,059	50,519	0	287,473
State Special Revenue Fund	2,014,831	4,316,264	0	6,331,095	-1,420,622	0	594,209
Federal Special Revenue Fund	22,164,295	8,480,262	85,624	30,730,181	6,711,617	60,393	28,936,305
Total Funding Costs	**24,416,080**	**$12,847,631**	**$85,624**	**$37,349,335**	**$5,341,514**	**$60,393**	**$29,817,987**

Present Law Mandates

The program work is mandated in numerous state and federal authorizations as listed in the appendix, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, the upgrades of 2.00 FTE, the downgrades of 3.00 FTE, a program transfers, board per diem increases, and inclusion of a position approved for FY95 in the 1993 regular legislative session.

Operating Expenses - The operating base adjustments amount to $205,531 in FY96 and $204,121 in FY97. This can be contributed to increased fixed costs of $22,497 in FY96 and $5,881 in FY97; consulting and professional services increase $115,241 in FY96 and $123,241 in FY97 for the federally supported Section 8 Housing and CDBG programs; inflation and deflation factors impact the request by $10,548 in FY96 and by $15,645 in FY97; other minor increases are reflected in travel, postage, indirect costs, and agency recharges.

Equipment - The equipment request of $25,750 in FY96 and $9,250 in FY97 is for computer hardware and software upgrades and replacement office equipment.

Grants - A biennial appropriation of $5,276,920 is requested for Coal Board grants. Statutes 15-35-108(2)(a) and 90-60-212, MCA, were amended to provide that, rather than reverting to the state special revenue fund for Equalization Aid to Public School's account at the end of each fiscal year, unencumbered funds in the Coal Board's local impact account were to be allocated to school equalization fund at the end of each biennium. This allows the Coal Board to carry over its unencumbered grant funds from the first fiscal year of the biennium and to expend the funds on local impact grants and loans in the second year.

Funds are distributed annually from the county land planning account. The funds projected to be available in FY96 and FY97 are $166,301 and $161,085 respectively. Each county is supposed to receive $3,000 with any balance being apportioned to the counties based upon percentage of county land area to the total land area of the state and the percentage of each county population to the total population of the state.

The Housing Assistance Program will continue to provide financial assistance for rental housing, and assistance and guarantees to rental housing developers. There is $17,098,283 in FY96 and $17,331,234 in FY97.

The agency is requesting $6,509,141 of U. S. Department of Housing and Urban Development

(HUD) authority, in each year of the biennium, for grants to local governments for housing and public facilities projects.

There is $5,821,350 in FY96 and $3,831,000 in FY97 of federal authority requested for the Home Investment Partnership Program (HOME), which provides affordable housing assistance grants to local governments and private non-profits.

New Proposals

Personal Services Reduction - Personal services would be decreased by $5,266 in FY96 and $5,497 in FY97 of federal special revenue to pay for the proposed 1997 biennium pay plan.

CDBG Consolidated Plan - Title 1 of the Federal Housing and Community Development Act of 1974, as amended, requires that a new consolidated planning process be carried out to replace all current planning and application requirements related to the following federally funded grant assistance programs: Community Development Block Grant Program (CDBG), HOME Investment Partnerships, and Emergency Shelter Grants (ESG). Submission of the consolidated plan, beginning in the 1997 biennium, will be a condition of maintaining eligibility for receipt of the federal grant funds. There is $65,890 of federal revenue authority requested for each year of the biennium.

Section 8 Housing Equipment - There is $25,000 is requested in FY96 for new computer equipment. The request would be supported with federal special revenue funds.

Funding

The funding for the program in FY96 is 1% general fund, 17% state special revenue, and 82% federal; in FY97 the funding split is 1% general fund, 2% state special revenue, and 97% federal.

6501-61 OFFICE OF RES. & INFO SERVICES

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Total Agency Costs	0	$0	$0	$0	$0	$0	$0
Total Funding Costs	0	$0	$0	$0	$0	$0	$0

6501-62 LOCAL GOVT AUDIT & SYSTEMS BUR

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	28.50	-3.50	-16.00	9.00	-3.50	-16.00	9.00
Personal Services	839,446	21,389	-504,217	356,618	25,609	-506,249	358,806
Operating Expenses	260,239	-18,727	-11,917	229,595	-12,466	-11,917	235,856
Equipment	0	3,200	0	3,200	3,200	0	3,200
Transfers	144,918	-144,918	0	0	-144,918	0	0
Debt Service	2,507	2,169	0	4,676	1,586	0	4,093
Total Agency Costs	**1,247,110**	**$-136,887**	**$-516,134**	**$594,089**	**$-126,989**	**$-518,166**	**$601,955**
General Fund	144,919	205,081	0	350,000	205,081	0	350,000
Proprietary Fund	1,102,191	-341,968	516,134	244,089	-332,070	-518,166	251,955
Total Funding Costs	**1,247,110**	**$-136,887**	**$-516,134**	**$594,089**	**$-126,989**	**$-518,166**	**$601,955**

Present Law Mandates

The program work is mandated in Title 2, Chapter 7, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, the upgrades of 2.00 FTE, and program transfers.

Operating Expenses - The Local Government Audit activity is being privatized and will terminate effective July 1, 1995. The proposed operating expense budget will allow the Local Government Systems and Audit Review activities sufficient authority.

Equipment - There is $3,200 is requested in each year of the biennium for the replacement of computer equipment.

New Proposals

Personal Services Reduction - Personal services would be decreased by 16.00 FTE, and $504,217 in FY96 and $506,249 in FY97 of proprietary funds to pay for the proposed 1997 biennium pay plan.

Operating Expense Reduction - Operating expenses would be decreased by $11,917 of proprietary funds in each year of the biennium to pay for the proposed 1997 biennium pay plan.

Funding

The funding for the program is 31% general fund and 69% proprietary.

6501-64 LOCAL GOVT ASSISTANCE ADMIN

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	2.50	.00	.00	2.50	.00	.00	2.50
Personal Services	115,711	1,957	0	117,668	2,375	0	118,086
Operating Expenses	11,569	392	0	11,961	58	0	11,627
Total Agency Costs	**127,280**	**$2,349**	**$0**	**$129,629**	**$2,433**	**$0**	**$129,713**
Proprietary Fund	127,280	2,349	0	129,629	2,433	0	129,713
Total Funding Costs	**127,280**	**$2,349**	**$0**	**$129,629**	**$2,433**	**$0**	**$129,713**

Present Law Mandates

This division administration program operates/manages under the multiple federal and state authorities enabling/mandating the individual twelve programs functioning in the Local Government Assistance Division.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, and adjustments for employee benefits.

Operating Expenses - The proposed operating budget allows this program to maintain its current level of operations.

Funding

The funding for the program is proprietary.

6501-65 BUILDING CODES BUREAU

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	35.00	-1.00	8.00	42.00	-1.00	8.00	42.00
Personal Services	1,068,591	39,177	251,251	1,359,019	42,656	251,572	1,362,819
Operating Expenses	366,746	31,841	62,879	461,466	32,682	62,928	462,356
Debt Service	1,770	-1,770	0	0	-1,770	0	0
Total Agency Costs	**1,437,107**	**$69,248**	**$314,130**	**$1,820,485**	**$73,568**	**$314,500**	**$1,825,175**
State Special Revenue Fund	1,437,107	69,248	314,130	1,820,485	73,568	314,500	1,825,175
Total Funding Costs	**1,437,107**	**$69,248**	**$314,130**	**$1,820,485**	**$73,568**	**$314,500**	**$1,825,175**

Present Law Mandates

The program work is mandated in Title 50, and Title 37, Chapter 69 and 71, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, the upgrade of 1.00 FTE, and a program transfer.

Operating Expenses - Fixed cost adjustments account for increases of $11,446 in FY96 and $8,391 in FY97. In-state travel increases by approximately $6,200 in both years of the biennium; and gasoline and vehicle maintenance items increase by approximately $5,200.

New Proposals

Personal Services Reduction - Personal services would be decreased by $6,510 in FY96 and $6,796 in FY97 of state special revenue to pay for the proposed 1997 biennium pay plan.

Electrical/Plumbing Inspectors - The request is for eight additional inspectors and operating expenses for each year of the biennium. Building construction in Montana has increased significantly and the bureau does not have sufficient staff to complete its statutory responsibilities in a timely manner. In addition, the bureau is now responsible for the inspections in Flathead County as a result of the voters rejecting the local building inspection program. State special revenue authority of $320,640 in FY96 and $321,296 in FY97 is requested.

Funding

The funding for the program is state special revenue.

6501-70 INDIAN AFFAIRS COORDINATOR

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	4.00	.00	.00	4.00	.00	.00	4.00
Personal Services	129,527	4,376	0	133,903	4,975	0	134,502
Operating Expenses	34,993	3,610	0	38,603	3,750	0	38,743
Total Agency Costs	**164,520**	**$7,986**	**$0**	**$172,506**	**$8,725**	**$0**	**$173,245**
General Fund	100,868	7,388	0	108,256	7,592	0	108,460
Federal Special Revenue Fund	63,652	598	0	64,250	1,133	0	64,785
Total Funding Costs	**164,520**	**$7,986**	**$0**	**$172,506**	**$8,725**	**$0**	**$173,245**

Present Law Mandates

The program work is namdated in Title 2, Chapter 15, and Title 90, Chapter 11, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, and adjustments for longevity and employee benefits.

Operating Expenses - The proposed general fund supported operational budget allows this program to maintain its current level of operations.

The program is the recipient of two federal contracts, one from the Department of Transportation and the other from the Montana Human Rights Council. The contracts support 2.00 FTE, a steering committee, and operating costs.

6501-71 HEALTH FACILITIES AUTHORITY

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	1.00	.00	.00	1.00	.00	.00	1.00
Personal Services	52,269	1,187	0	53,456	1,526	0	53,795
Operating Expenses	84,968	33,076	0	118,044	15,801	0	100,769
Total Agency Costs	**137,237**	**$34,263**	**$0**	**$171,500**	**$17,327**	**$0**	**$154,564**
Proprietary Fund	137,237	34,263	0	171,500	17,327	0	154,564
Total Funding Costs	**137,237**	**$34,263**	**$0**	**$171,500**	**$17,327**	**$0**	**$154,564**

Present Law Mandates

The program work is mandated in Title 90, Chapter 7, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, and adjustments for longevity and employee benefits.

Operating Expenses - The contracts for administrative support and professional services from the Board of Investments, in lieu of full-time employees, increase by $11,473 in each year of the biennium. There is $15,500 included in contracted services for the biennial audits of bond trustees; fixed operating costs increase by $4,540 in FY96 and decrease by $144 in FY97; and FY97 includes $3,000 for the printing of the biennial financial audit report.

6501-73 MT SCIENCE & TECH ALLIANCE

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	6.00	-1.00	.00	5.00	-1.00	.00	5.00
Personal Services	224,303	1,141	0	225,444	1,788	0	226,091
Operating Expenses	107,800	14,657	0	122,457	12,640	0	120,440
Total Agency Costs	**332,103**	**$15,798**	**$0**	**$347,901**	**$14,428**	**$0**	**$346,531**
State Special Revenue Fund	332,103	15,798	0	347,901	14,428	0	346,531
Total Funding Costs	**332,103**	**$15,798**	**$0**	**$347,901**	**$14,428**	**$0**	**$346,531**

Present Law Mandates

The program work is mandated in Title 90, Chapter 3, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, program transfer of 1.00 FTE, and staff turnover.

Operating Expenses - Adjustments are minimal and the proposed budget allows this program to maintain its current level of operation.

Funding

The funding for the program is state special revenue.

6501-74 BOARD OF HOUSING

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	14.00	.00	.00	14.00	.00	.00	14.00
Personal Services	414,478	26,183	-2,681	437,980	28,452	-2,798	440,132
Operating Expenses	654,396	286,255	0	940,651	194,431	0	848,827
Equipment	8,185	-8,185	0	0	-8,185	0	0
Debt Service	266	-266	0	0	-266	0	0
Total Agency Costs	**1,077,325**	**$303,987**	**$-2,681**	**$1,378,631**	**$214,432**	**$-2,798**	**$1,288,959**
Proprietary Fund	1,077,325	303,987	-2,681	1,378,631	214,432	-2,798	1,288,959
Total Funding Costs	**1,077,325**	**$303,987**	**$-2,681**	**$1,378,631**	**$214,432**	**$-2,798**	**$1,288,959**

Present Law Mandates

The program work is mandated in Title 90, Chapter 6, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, the downgrade of 1.00 FTE and board per diem.

Operating Expenses - The base adjustments for operating expenses increase by $286,255 in FY96 and $194,431 in FY97. Foreclosure fees increase by $146,145 in each year to equal a projected need of $192,000. The incremental request of $60,000 in FY96 and $30,000 in FY97 for consultant and professional service, is based on three refunding bond issues of $40,000 each year of the 1997 biennium. Fixed costs increase by $55,493 in FY96 and decrease by $10,340 in FY97.

New Proposals

Personal Services Reduction - Personal services would be decreased by $2,681 in FY96 and $2,798 in FY97 of proprietary funds to pay for the proposed 1997 biennium pay plan.

6501-75 BOARD OF INVESTMENTS

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	28.00	.00	1.00	29.00	.00	1.00	29.00
Personal Services	1,169,407	63,529	25,938	1,258,874	68,739	25,804	1,263,950
Operating Expenses	527,615	48,460	54,266	630,341	-37,174	54,165	544,606
Equipment	40,941	-15,941	0	25,000	-15,941	0	25,000
Debt Service	7,213	-507	0	6,706	-7,213	0	0
Total Agency Costs	**1,745,176**	**$95,541**	**$80,204**	**$1,920,921**	**$8,411**	**$79,969**	**$1,833,556**
Proprietary Fund	1,745,176	95,541	80,204	1,920,921	8,411	79,969	1,833,556
Total Funding Costs	**1,745,176**	**$95,541**	**$80,204**	**$1,920,921**	**$8,411**	**$79,969**	**$1,833,556**

Present Law Mandates

The program work is mandated in Title 17, Chapters 6 and 5, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, and board per diem.

Operating Expenses - The operating expense base adjustments reflect an increase in fixed costs of $28,767 in FY96 and a decrease of $62,168 in FY97; office and equipment rent increased $13,042 in FY96 and $16,791 in FY97; and contracted consulting services including programming, systems training, and maintenance increases $11,551 each year.

Equipment - There is $25,000 is requested in each year of the biennium for computer hardware and software upgrades.

New Proposals

Personal Services Reduction - Personal services would be decreased by $5,361 in FY96 and $5,596 in FY97 of proprietary funds to pay for the proposed 1997 biennium pay plan.

BOI Staff/Contracted Services/Travel - There is $85,565 requested in each year of the biennium for 1.00 FTE mortgage analyst, contracted services for secretarial services and equities securities analysis, and additional travel authority. The proposal would be supported with proprietary funds.

6501-77 MONTANA STATE LOTTERY

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	35.00	.00	.00	35.00	.00	.00	35.00
Personal Services	1,155,611	1,906	-6,702	1,150,815	6,817	-6,996	1,155,432
Operating Expenses	6,955,399	-1,091,911	120,000	5,983,488	-1,157,364	120,000	5,918,035
Equipment	3,082	11,168	0	14,250	41,768	0	44,850
Debt Service	410	-410	0	0	-410	0	0
Total Agency Costs	8,114,502	$-1,079,247	$113,298	$7,148,553	$-1,109,189	$113,004	$7,118,317
Proprietary Fund	8,114,502	-1,079,247	113,298	7,148,553	-1,109,189	113,004	7,118,317
Total Funding Costs	8,114,502	$-1,079,247	$113,298	$7,148,553	$-1,109,189	$113,004	$7,118,317

Present Law Mandates

The program work is mandated in Title 23, Chapter 7, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for employee benefits, the upgrades of 3.00 FTE, and the downgrade of 2.00 positions.

Operating Expenses - The proposed operating budget allows this program to maintain its current level of operations and includes audit costs of $138,676 in FY96.

Equipment - There is $14,250 requested in FY96 and $44,850 in FY97 for vehicle replacement.

New Proposals

Personal Services Reduction - Personal services would be decreased by $6,702 in FY96 and $6,996 in FY97 of proprietary funds to pay for the proposed 1997 biennium pay plan.

Tri-West Lotto - The Tri-West Lotto game is offered in conjunction with South Dakota and Idaho. This was done because collectively larger jackpots could be provided than from cash games with better odds than Powerball. Montana shares in the costs of offering the game, with $120,000 of proprietary authority requested in each year of the biennium.

Funding

The Montana Lottery is a proprietary fund operation. Prizes, commissions, and net operating transfers are statutorily appropriated, in accordance with 23-7-402, MCA, while operating expenses are included in the general appropriations act.

6501-78 BOARD OF HORSE RACING

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	3.78	.00	.00	3.78	.00	.00	3.78
Personal Services	104,978	24,580	0	129,558	28,543	0	133,521
Operating Expenses	116,169	19,833	0	136,002	20,768	0	136,937
Equipment	5,644	-5,644	0	0	-5,644	0	0
Total Agency Costs	**226,791**	**$38,769**	**$0**	**$265,560**	**$43,667**	**$0**	**$270,458**
State Special Revenue Fund	226,791	38,769	0	265,560	43,667	0	270,458
Total Funding Costs	**226,791**	**$38,769**	**$0**	**$265,560**	**$43,667**	**$0**	**$270,458**

Present Law Mandates

The program work is mandated in Title 2, Chapter 15, and Title 23, Chapter 4, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, the upgrade of 1.00 FTE, and board per diem.

Operating Expenses - The proposed operating budget allows this program to maintain its current level of operations and includes an additional $12,000 per year for deputy state stewards.

6501-81 DIRECTOR/MANAGEMENT SERVICES

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	22.59	-1.00	.00	21.59	-1.00	.00	21.59
Personal Services	774,056	1,368	-4,134	771,290	5,268	-4,315	775,009
Operating Expenses	127,528	23,519	150,000	301,047	22,065	0	149,593
Equipment	2,774	-1,074	296,409	298,109	-1,774	43,200	44,200
Debt Service	329	-329	0	0	-329	0	0
Total Agency Costs	**904,687**	**$23,484**	**$442,275**	**$1,370,446**	**$25,230**	**$38,885**	**$968,802**
General Fund	100,431	4,551	0	104,982	4,816	0	105,247
Proprietary Fund	804,256	18,933	442,275	1,265,464	20,414	38,885	863,555
Total Funding Costs	**904,687**	**$23,484**	**$442,275**	**$1,370,446**	**$25,230**	**$38,885**	**$968,802**

Present Law Mandates

The program work is mandated primarily in Title 2, Chapters 15 and 18, and Title 17, Chapters 2, 3, 6, 7, and 8, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for employee benefits, and the elimination of 1.00 FTE in FY95 by legislative action in the November 1993 Special Session.

Operating Expenses - The proposed operating budget allows this program to maintain its current level of operations. Adjustments are primarily in the fixed costs and equipment maintenance cost categories.
Equipment - There is $1,700 is requested in FY96 and $1,000 in FY97 for office equipment replacement.

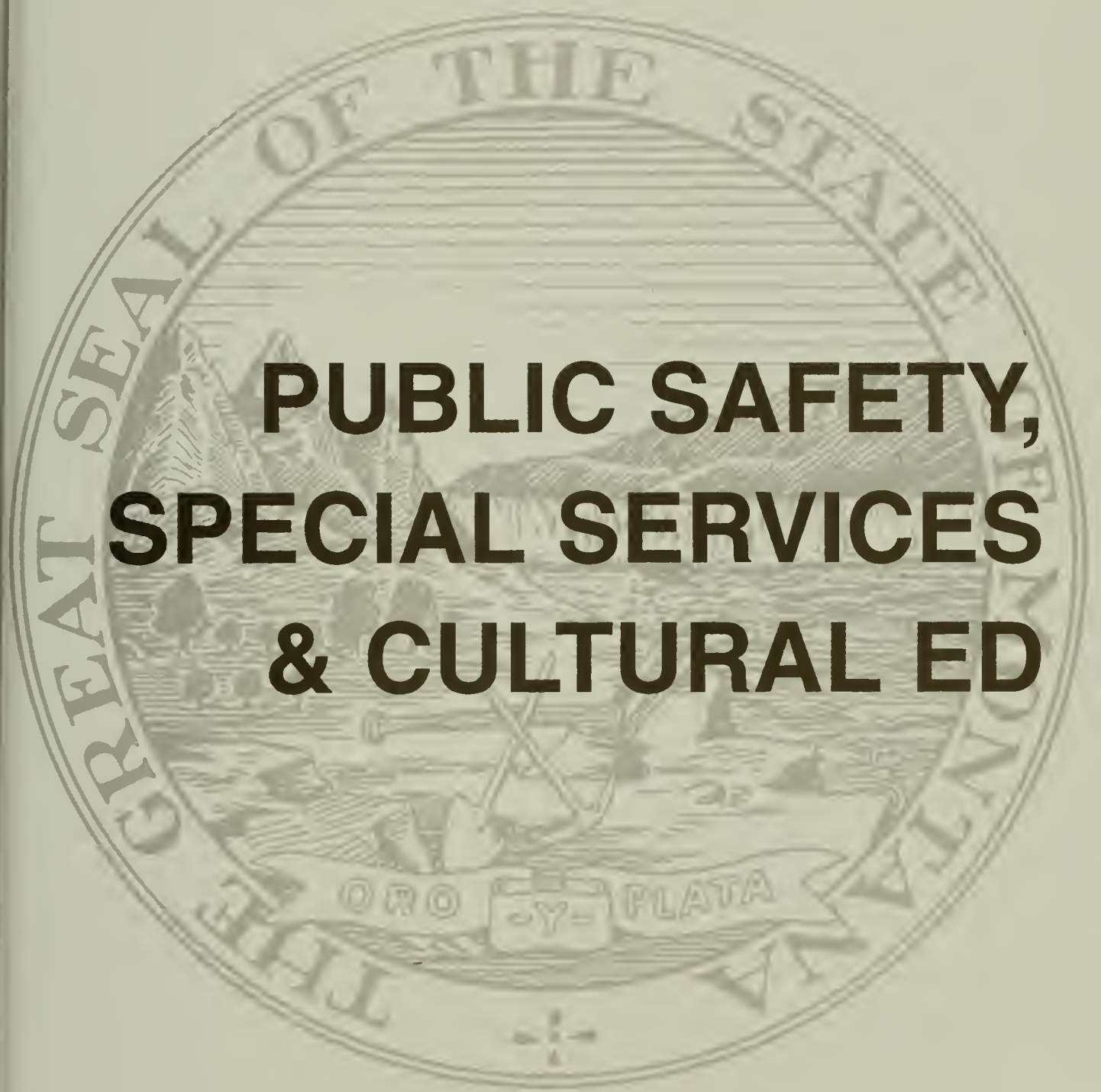
New Proposals
Personal Services Reduction - Personal services would be decreased by $4,134 in FY96 and $4,315 in FY97 of proprietary funds to pay for the proposed 1997 biennium pay plan.

Oracle Database Programming - Proposed is a contract for programming to convert the department computer systems from Informix database on the current UNIX system to Oracle databases on the LAN system. Oracle was selected as the state standard by Information Services Division (ISD) and the Information Technology Advisory Council. There is $150,000 of proprietary authority requested in FY96.

Management Services Equipment - Recommneded is $3,600 of proprietary authority for the purchase of a new laser printer in FY96.

Equipment Conversion to LANS - In 1992 the department committed to converting from an aging AT&T computer system to ISD recommended standard computing platform, PCs on a Local Area Network (LAN). A majority of the department staff are on the LAN system for general office functions, the databases are still on the AT&T system. The requested $292,809 in FY96 and $43,200 in FY97 would provide the proprietary authority to purchase the necessary equipment to complete the conversion project. The equipment includes router, network file servers, additional work stations, and wiring.

Funding
The funding for the program is 11% general fund and 89% proprietary.



PUBLIC SAFETY, SPECIAL SERVICES & CULTURAL ED

Judiciary

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	89.25	2.00	.00	91.25	2.00	.00	91.25
Personal Services	4,796,465	220,310	-80,072	4,936,703	226,344	-80,394	4,942,415
Operating Expenses	824,295	206,672	145,000	1,175,967	196,838	145,000	1,166,133
Equipment	271,857	19,563	0	291,420	-2,437	0	269,420
Total Agency Costs	**5,892,617**	**$446,545**	**$64,928**	**$6,404,090**	**$420,745**	**$64,606**	**$6,377,968**
General Fund	5,351,461	456,523	-23,736	5,784,248	426,038	-23,985	5,753,514
State Special Revenue Fund	541,156	-9,978	-21,336	509,842	-5,293	-21,409	514,454
Federal Special Revenue Fund	0	0	110,000	110,000	0	110,000	110,000
Total Funding Costs	**5,892,617**	**$446,545**	**$64,928**	**$6,404,090**	**$420,745**	**$64,606**	**$6,377,968**
Supreme Court Operations	1,587,056	300,011	108,920	1,995,987	268,664	108,749	1,964,469
Boards And Commissions	184,558	31,226	-3,658	212,126	31,648	-3,671	212,535
Law Library	509,078	29,352	-10,928	527,502	31,006	-10,964	529,120
District Court Operations	2,891,523	80,072	0	2,971,595	77,814	0	2,969,337
Water Courts Supervision	541,156	-9,978	-21,336	509,842	-5,293	-21,409	514,454
Clerk Of Court	179,246	15,862	-5,287	189,821	16,906	-5,316	190,836
District Court Reimbursement	0	0	-2,783	-2,783	0	-2,783	-2,783
Total Program Costs	**5,892,617**	**$446,545**	**$64,928**	**$6,404,090**	**$420,745**	**$64,606**	**$6,377,968**

MISSION STATEMENT: The judicial branch of state government is provided for in Article III, Section 1, and Article VII of the 1972 Montana Constitution. The jurisdiction of the Supreme Court consists of all appellate and original jurisdiction in petitions for writs of habeas corpus and other such writs, general supervisory control over all courts, and rule making for Montana courts.

JUDICIAL BRANCH REQUEST

DETAIL SUMMARY	JUDICIAL REQUEST	EXECUTIVE NON FUNDED	JUDICIAL REQUEST	EXECUTIVE NON FUNDED
Full-Time Equivalent (FTE)	104.50	12.00	104.50	12.00
Personal Services	5,454,802	481,320	5,521,019	489,145
Operating	1,385,581	482,171	1,374,471	471,061
Equipment	824,805	297,577	787,165	287,059
Total Agency	7,665,188	1,261,068	7,682,655	1,247,265
General Fund	7,025,994	1,162,060	7,037,755	1,143,521
State Special	529,164	(10,992)	534,900	(6,256)
Federal Special	110,000	110,000	110,000	110,000
Total Funding	7,665,158	1,261,068	7,682,655	1,247,265
SUPREME COURT OPERATIONS	2,076,773	249,224	2,047,617	247,190
BOARDS & COMMISSIONS	246,207	61,649	227,223	42,665
LAW LIBRARY	595,226	86,148	596,434	87,356
DIST COURT OPERATIONS	2,993,312	101,789	2,993,554	102,031
WATER COURT	529,164	(10,992)	534,900	(6,256)
CLERK OF COURT	224,476	45,230	225,505	46,259
COURT AUTOMATION	1,000,000	728,020	1,000,000	728,020
Total Program	7,665,158	1,261,068	7,625,233	1,247,265

The Judicial branch budget request is presented in the table above in accordance with 17-7-122(3), MCA, which states "Judicial branch requests must be included in the budget submitted by the governor, but expenditures above current level funding need not be part of the balanced financial plan pursuant to 17-7-123."
An explanation of the significant elements of the Judicial branch request that were not included in the Governor's recommendations follows:

Supreme Court Operation: 1.00 FTE Federal/ADA/Personnel Officer is requested to address mandated current and new federal government requirements and statewide training, education for District Court Judges and judges in courts of limited jurisdiction and staff to the Supreme Court Judicial Council. 2.00 FTE are also included for judicial automation in this program that are included in the excutive budget as a present law base adjustment.
Law Library: The request for a 3.5% annual law book inflation was excluded from the executive recommendation because the present law inflation factors agreed to by the Office of the Legislative Fiscal Analyst and the Office of Budget and Program Planning do not provide for library book inflation. $260,000 was requested in FY96 and $259,360 in FY97 for law books, videotape purchases, and code exchanges with other states. $218,950 is recommended each year in the executive budget.
District Court Operations: Out-of-state travel and training expense increases for judges of $18,122 each year were part of the Judicial request but are not included in the executive recommendation.
Clerk of Court: 1.00 FTE increase is requested to handle filing of Supreme Court cases.
Court Automation: 10.00 FTE and $1,000,000 per year in general fund are requested for the Court Automation Program. This will enable the Judicial branch to continue to advance its use of information technology.

2110-01 SUPREME COURT OPERATIONS

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	28.75	2.00	.00	30.75	2.00	.00	30.75
Personal Services	1,188,348	151,872	-36,080	1,304,140	154,868	-36,251	1,306,965
Operating Expenses	386,688	112,059	145,000	643,747	99,716	145,000	631,404
Equipment	12,020	36,080	0	48,100	14,080	0	26,100
Total Agency Costs	**1,587,056**	**$300,011**	**$108,920**	**$1,995,987**	**$268,664**	**$108,749**	**$1,964,469**
General Fund	1,587,056	300,011	-1,080	1,885,987	268,664	-1,251	1,854,469
Federal Special Revenue Fund	0	0	110,000	110,000	0	110,000	110,000
Total Funding Costs	**1,587,056**	**$300,011**	**$108,920**	**$1,995,987**	**$268,664**	**$108,749**	**$1,964,469**

Present Law Mandates

The Supreme Court Operations Program includes, and provides administrative services for, the Montana Supreme Court. The Montana Supreme Court is a state mandate authorized by the Montana Constitution.

Present Law Base

Judicial Automation Present Law Adjustment - There are 2.00 FTE, associated operating expenses, and $18,000 per year in replacement equipment recommended for the judicial automation effort present law adjustment. The 2.00 FTE were in the base for the 1993 biennium but were temporarily funded by a one-time source of statutory appropriation authority during the 1995 biennium. The total general fund adjustment is $122,890 each year; about $80,000 of that amount each year is attributable to personal services.

Personal Services - Net personal services increases, in addition to the Judicial Automation present law adjustment, are due to annualization of the FY95 pay plan, vacancy savings realized during the base year, and adjustments in employee benefit rates.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $82,576 in FY96 and $70,520 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Equipment - Equipment replacement increases in FY96 provide for a replacement station wagon and $8,100 in office furniture and equipment and software upgrades. The $8,100 is also included in FY97.

New Proposals

Personal Services Reduction - The executive budget recommends a reduction in personal services of $36,080 in FY96 and $36,251 in FY97, consistent with the recommendation for executive branch agencies, in order to provide adequate funding for the Governor's 1997 biennium pay plan proposal. The reduction is not applied against the personal services costs of the seven Supreme Court justices.

Foster Care Study - There is $145,000 each year, including $35,000 per year general fund for a 25% state match requirement, recommended for study and evaluation of foster care. Federal grant funds of $110,000 per year are available under the Family Preservation and Family Support Program.

Funding

Funding is provided by the general fund with the exception of $110,000 in federal grant funds included in the foster care study new proposal.

2110-02 BOARDS AND COMMISSIONS

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	2.00	.00	.00	2.00	.00	.00	2.00
Personal Services	60,059	13,365	-3,658	69,766	13,627	-3,671	70,015
Operating Expenses	109,594	32,766	0	142,360	32,926	0	142,520
Equipment	14,905	-14,905	0	0	-14,905	0	0
Total Agency Costs	**184,558**	**$31,226**	**$-3,658**	**$212,126**	**$31,648**	**$-3,671**	**$212,535**
General Fund	184,558	31,226	-3,658	212,126	31,648	-3,671	212,535
Total Funding Costs	**184,558**	**$31,226**	**$-3,658**	**$212,126**	**$31,648**	**$-3,671**	**$212,535**

Present Law Mandates

The several Supreme Court Boards and Commissions operate under state mandates established in statute or constitutionally.

Present Law Base

Personal Services - Net personal services increases are primarily due to annualization of the FY95 pay plan and adjustments in employee benefit rates.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $1,092 in FY96 and $1,841 in FY97 as a result of inflation and fixed costs adjustments.

Consulting & Professional Services - Consulting and professional services contracts increase by $16,080 in FY96 and $15,491 in FY97 among the various boards and commissions. The largest increase occurs for contract investigators with the Commission on Practice based upon the number of complaints being filed against attorneys.

Equipment - No replacement equipment is recommended. There is $14,905 expended in FY94.

New Proposals

Personal Services Reduction - The executive budget recommends a reduction in personal services of $3,658 in FY96 and $3,671 in FY97, consistent with the recommendation for executive branch agencies, in order to provide adequate funding for the 1997 biennium pay plan proposal.

Funding

Funding is entirely from the general fund. Expenses of the Courts of Limited Jurisdiction training are recovered from fees deposited in the general fund.

2110-03 LAW LIBRARY

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	6.50	.00	.00	6.50	.00	.00	6.50
Personal Services	207,628	11,859	-10,928	208,559	12,632	-10,964	209,296
Operating Expenses	80,636	6,257	0	86,893	7,138	0	87,774
Equipment	220,814	11,236	0	232,050	11,236	0	232,050
Total Agency Costs	**509,078**	**$29,352**	**$-10,928**	**$527,502**	**$31,006**	**$-10,964**	**$529,120**
General Fund	509,078	29,352	-10,928	527,502	31,006	-10,964	529,120
Total Funding Costs	**509,078**	**$29,352**	**$-10,928**	**$527,502**	**$31,006**	**$-10,964**	**$529,120**

Present Law Mandates

The Law Library Program is a state-mandated service.

Present Law Base

Personal Services - Net personal services increases are primarily due to annualization of the FY95 pay plan and adjustments in employee benefit rates.

Inflation/Deflation & Fixed Costs - Operating expenses increase minimally as a result of inflation/deflation and fixed costs adjustments.

Computer Processing - Each year $23,000 of the increase in this expense category is for annual unit rentals of the Dynix Library Automation Center package that is being initiated during FY95. The automation will assist in resource sharing and cooperative collection development for various libraries.

Printing - Total printing decreases by $25,856 each year below the FY94 expenditure level.

Equipment - Updates to the law book and videotape collections are accounted for in the equipment category. An increase of $9,000 each year is requested for legal videotape purchases. Rental revenue from the tapes is deposited in the general fund.

New Proposals

Personal Services Reduction - The executive budget recommends a reduction in personal services of $10,928 in FY96 and $10,964 in FY97, consistent with the recommendation for executive branch agencies, in order to provide adequate funding for the 1997 biennium pay plan proposal.

Funding

Funding is entirely from the general fund.

2110-04 DISTRICT COURT OPERATIONS

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	37.00	.00	.00	37.00	.00	.00	37.00
Personal Services	2,763,869	36,221	0	2,800,090	36,221	0	2,800,090
Operating Expenses	121,159	44,946	0	166,105	42,688	0	163,847
Equipment	6,495	-1,095	0	5,400	-1,095	0	5,400
Total Agency Costs	**2,891,523**	**$80,072**	**$0**	**$2,971,595**	**$77,814**	**$0**	**$2,969,337**
General Fund	2,891,523	80,072	0	2,971,595	77,814	0	2,969,337
Total Funding Costs	**2,891,523**	**$80,072**	**$0**	**$2,971,595**	**$77,814**	**$0**	**$2,969,337**

Present Law Mandates

The District Court Operations Program provides partial funding for Montana Judicial Districts. The state district court system is a state mandate authorized by the Montana Constitution.

Present Law Base

Personal Services - Personal services increases are due to adjustments in employee benefit rates and to annual increases of $12,800 for retired judges assigned to cases from which the district judge must be excused.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $1,097 in FY96 and $3,839 in FY97 as a result of inflation and fixed costs adjustments.

Consulting & Professional Services - The district judge deskbook must be updated in FY96 at an estimated cost of $5,000.

Travel - In-state travel expenses increase by $16,147 each year. It is estimated that there will be high turnover for district judges requiring approximately 27% more travel between districts for new judges recused from cases in which they represented one of the parties.

Vehicle Leases - The current lease for eight vehicles will expire during FY96. The current lease rate is projected to increase to $390 per vehicle per month for a total annual increase of $21,950.

Equipment - Recommended computer equipment replacement decreases slightly below FY94.

Funding

Funding is entirely from the general fund.

2110-05 WATER COURTS SUPERVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	11.00	.00	.00	11.00	.00	.00	11.00
Personal Services	427,790	2,539	-21,336	408,993	3,857	-21,409	410,238
Operating Expenses	100,216	633	0	100,849	4,000	0	104,216
Equipment	13,150	-13,150	0	0	-13,150	0	0
Total Agency Costs	**541,156**	**$-9,978**	**$-21,336**	**$509,842**	**$-5,293**	**$-21,409**	**$514,454**
State Special Revenue Fund	541,156	-9,978	-21,336	509,842	-5,293	-21,409	514,454
Total Funding Costs	**541,156**	**$-9,978**	**$-21,336**	**$509,842**	**$-5,293**	**$-21,409**	**$514,454**

Present Law Mandates
The Water Courts Supervision Program exists as a state mandate.

Present Law Base
Personal Services - Net personal services increases are primarily due to annualization of the FY95 pay plan and adjustments in employee benefit rates.
Inflation/Deflation & Fixed Costs - Operating expenses increase by $1,261 in FY96 and $1,226 in FY97 as a result of inflation and fixed costs adjustments.
Equipment - No replacement equipment is recommended. FY94 expenditures were $13,150.

New Proposals
Personal Services Reduction - The executive budget recommends a reduction in personal services of $21,336 in FY96 and $21,409 in FY97, consistent with the recommendation for executive branch agencies, in order to provide adequate funding for the Governor's 1997 biennium pay plan proposal.

Funding
Funding is provided by state special revenue from the renewable resources resource indemnity trust interest.

2110-06 CLERK OF COURT

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	4.00	.00	.00	4.00	.00	.00	4.00
Personal Services	148,771	4,454	-5,287	147,938	5,139	-5,316	148,594
Operating Expenses	26,002	10,011	0	36,013	10,370	0	36,372
Equipment	4,473	1,397	0	5,870	1,397	0	5,870
Total Agency Costs	**179,246**	**$15,862**	**$-5,287**	**$189,821**	**$16,906**	**$-5,316**	**$190,836**
General Fund	179,246	15,862	-5,287	189,821	16,906	-5,316	190,836
Total Funding Costs	**179,246**	**$15,862**	**$-5,287**	**$189,821**	**$16,906**	**$-5,316**	**$190,836**

Present Law Mandates
The Clerk of Court Program exists as a state mandate.

Present Law Base
Personal Services - Net personal services increases are due to annualization of the FY95 pay plan, an increase in health insurance due to job sharing within an FTE, and adjustments in employee benefit rates.
Inflation/Deflation & Fixed Costs - Operating expenses increase by $1,307 in FY96 and $1,666 in FY97 as a result of inflation and fixed costs adjustments.
Postage and Mailing - Postage increases by $2,800 per year in anticipation of volume growth and reinstatement of certified mailing options.
Equipment - Increases in replacement equipment are recommended for shelving cabinets and furniture.

New Proposals
Personal Services Reduction - The executive budget recommends a reduction in personal services of $5,287 in FY96 and $5,316 in FY97, consistent with the recommendation for executive branch agencies, in order to provide adequate funding for the 1997 biennium pay plan proposal. No reductions are applied against the personal services expenses of the elected Clerk of the Supreme Court.

Funding
Funding is entirely from the general fund.

2110-07 DISTRICT COURT REIMBURSEMENT

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Personal Services	0	0	-2,783	-2,783	0	-2,783	-2,783
Total Agency Costs	0	$0	$-2,783	$-2,783	$0	$-2,783	$-2,783
General Fund	0	0	-2,783	-2,783	0	-2,783	-2,783
Total Funding Costs	0	$0	$-2,783	$-2,783	$0	$-2,783	$-2,783

Present Law Mandates
The District Court Criminal Reimbursement Program exists as a state mandate.

Present Law Base
This program is funded by a statutory appropriation; as such, it has no present law base and is not included in the general appropriations act.

New Proposals
Personal Services Reduction - The executive budget recommends a reduction in personal services of $2,783 each year, consistent with the recommendation for executive branch agencies, in order to provide adequate funding for the 1997 biennium pay plan proposal. Personal services and other administrative costs in this program are statutorily appropriated.

Funding

Funding is entirely from the general fund. Designated revenue is derived from 7% of the 2% state motor vehicle tax.

MISSION STATEMENT: To review all malpractice claims or potential claims against chiropractic physicians in order to prevent, if possible, filed court actions against chiropractic physicians for professional liability. Facilitate the fair and equitable disposition of such claims that are reasonably well founded.

Funding

The agency is funded by a statutory appropriation and is not included in the general appropriations act. Revenue is from fees charged to licensed chiropractors.

MISSION STATEMENT: To promote public safety by strengthening the coordination and performance of the criminal and juvenile justice system by increasing citizen and public official support and involvement in those systems.

4107-01 JUSTICE SYSTEM SUPPORT SERVICE

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	19.00	.00	2.00	21.00	.00	2.00	21.00
Personal Services	604,052	35,867	60,315	700,234	38,868	60,526	703,446
Operating Expenses	215,667	48,911	74,117	338,695	50,131	74,007	339,805
Equipment	9,838	297	4,000	14,135	-946	2,500	11,392
Grants	3,254,929	393,625	342,500	3,991,054	393,066	342,500	3,990,495
Benefits and Claims	460,819	129,181	50,000	640,000	144,181	50,000	655,000
Total Agency Costs	**4,545,305**	**$607,881**	**$530,932**	**$5,684,118**	**$625,300**	**$529,533**	**$5,700,138**
General Fund	457,348	27,350	0	484,698	29,269	0	486,617
State Special Revenue Fund	481,628	137,360	130,932	749,920	137,860	129,533	749,021
Federal Special Revenue Fund	3,606,329	443,171	400,000	4,449,500	458,171	400,000	4,464,500
Total Funding Costs	**4,545,305**	**$607,881**	**$530,932**	**$5,684,118**	**$625,300**	**$529,533**	**$5,700,138**

Present Law Mandates

The agency was created by enactment of 2-15-2006, MCA, and operates at the direction of a supervisory Board of Crime Control appointed by the Governor. The agency exists as a product of both state and federal mandates as referenced in the Appendix.

Present Law Base

Personal Services - Base adjustments include an increase of $35,592 in FY96 and $38,593 in FY97 due to annualization of the pay plan, adjustments for longevity, employee benefit rate changes, and vacancy savings imposed in FY94. There is $275 added each year of the biennium for board fees for members of the Board of Crime Control and the Youth Service Advisory Council that are non-state employees. The membership changes as terms expire and new members are appointed.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $10,952 in FY96 and $12,172 in FY97 as a result of inflation/deflation factors and fixed cost adjustments.

Federal Indirect Cost Recovery - The recovery of indirect costs from federal programs is estimated to increase by $1,242 each year due to a higher level of federal funding. It should be noted that the increase above the actual total amount recovered in FY94 is only $600 each year; the difference is attributable to federal budget amendments which are excluded from base year expenditures.

Equipment - The replacement equipment requested for FY96 includes three workstations, one specialized computer, printers, and office furniture. The request for FY97 is for three workstations, a file server, and two printers. There is a net decrease of $649 for the two years of the biennium compared with base year acquisitions.

Grants - Grants from federal sources passed through to local units of government are expected to

increase. The narcotics control block grant increases by over $172,000 each year of the biennium. An increase of approximately $20,000 in federal crime victim assistance and the re-authorization of the Juvenile Justice and Delinquency Prevention Act contribute to the growth.
Benefits - Payments for crime victims are expected to increase as a backlog of three hundred claims is reduced. Benefit payments are expected to increase $129,181 in FY96 and $144,181 in FY97.

Continuing Appropriation Language - Several pass-through grant programs have a three-year federal appropriation authority on a federal fiscal year basis. To provide continuing authority across the span of state fiscal years, these grant funds have historically been separate, biennial appropriations accompanied by the following language in the general appropriations act:

"All remaining federal pass-through grant appropriation authority for the 1995 biennium is authorized to continue into fiscal years 1996 and 1997."

New Proposals
Victim Compensation - 1.00 FTE is added to process new victim compensation claims that are increasing at the rate of about 15% per year and to assist in eliminating the backlog of unsettled claims. This increase in the agency's capability to provide service to victims of crime is expected to result in increased benefits payments of $50,000 each year and more timely settlement of claims. A personal computer workstation is requested as a start-up expenditure in FY96. The total new proposal from the crime victims compensation funds in the state special revenue fund is $80,932 for FY96 and $79,533 for FY97.

Delinquency Prevention - A federal grant in the amount of $150,000 each year of the biennium will provide pass-through funds to local governments to develop comprehensive prevention and education strategies to prevent juvenile delinquency. Of the total grant, 5% will be applied to training, monitoring and evaluation of the new projects. The agency anticipates receiving $75,000 in initial grant funds during FY95.

Restitution Program - 1.00 FTE is added to provide technical assistance to local governments in establishing an automated system for recording and tracking restitution payments from offenders required by court order. Contracted services expenses include state computer network charges, system development and programming. Additional costs are for supplies, travel, training and equipment. Total costs are $50,000 each year of the biennium to be funded from the state special revenue account established for victims compensation and assistance. This program was established as a budget amendment in FY95 and is expected to continue as restitution revenue to the victim's compensation account is increasing.

Statistical Analysis Center - This proposal will incorporate $50,000 of annual federal spending authority into the regular legislative budget process to enhance and expand the capability to conduct statistical policy analyses. These funds have been authorized by budget amendment during each of the past three state fiscal years and the same funding level is recommended to continue.

Funding
The general fund provides most of the state match for administration of federal grant programs, funds the operation of the Peace Officer Standards and Training (POST) function and the Montana Uniform Crime Reporting System (MUCRS). The increase in general fund above the base year is attributable to the general fund share of increases in personal services and fixed costs.

State special revenue is primarily provided by justice court fines and restitutions revenue deposited in the MBCC-crime victims benefits account. This account is used for crime victims compensation

benefits and administration, as well as state match for the federal Victim Assistance Grant Program. Administration of the Youth Detention Services Grant Program, funded from a percentage of state lottery net proceeds, is $49,000 each year of the 1997 biennium. The significant state special revenue increases above FY94 are attributable primarily to crime victims compensation benefit payments and associated new proposals.

Federal funds are provided for the various federal grant programs and primarily are pass-through grants to local governments and agencies. The largest amount is drug enforcement assistance allocated to states according to a funding formula, with $2,369,000 budgeted each year of the biennium for this purpose.

MISSION STATEMENT: To promote public health, safety and welfare through efforts to reduce death, injury and property loss resulting from traffic accidents.

4108-36 HIGHWAY TRAFFIC SAFETY DIV

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	8.50	.00	.00	8.50	.00	.00	8.50
Personal Services	285,412	24,612	0	310,024	26,098	0	311,510
Operating Expenses	128,022	53,932	0	181,954	54,446	0	182,468
Equipment	9,442	-4,842	0	4,600	-4,842	0	4,600
Local Assistance	180,701	69,299	0	250,000	69,299	0	250,000
Grants	542,013	3,557,987	0	4,100,000	3,557,987	0	4,100,000
Total Agency Costs	**1,145,590**	**$3,700,988**	**$0**	**$4,846,578**	**$3,702,988**	**$0**	**$4,848,578**
General Fund	180,701	69,299	0	250,000	69,299	0	250,000
State Special Revenue Fund	75,872	10,128	0	86,000	10,128	0	86,000
Federal Special Revenue Fund	889,017	3,621,561	0	4,510,578	3,623,561	0	4,512,578
Total Funding Costs	**1,145,590**	**$3,700,988**	**$0**	**$4,846,578**	**$3,702,988**	**$0**	**$4,848,578**

Present Law Mandates

The Highway Traffic Safety Division was established in Title 61, Chapter 2, MCA, to promote public safety, health, and welfare through efforts directed toward reducing death, injury and property loss resulting from traffic accidents. Projects are developed and initiated in various levels of government primarily using federal grant funds provided through the division to ensure that a longterm, stable, and statewide program exists. Current program priorities include occupant protection and drinking and driving projects.

Present Law Base

Personal Services - Base adjustments include an increase of $24,612 in FY96 and $26,098 in FY97 due to the pay plan, adjustments for longevity, employee benefits, and vacancy savings imposed in FY94.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $4,753 in FY96 and $5,267 in FY97 as a result of the fixed costs adjustments and inflation/deflation.

Consulting and Professional Services - Increase of $49,179 in each year of the biennium is due partly to $25,000 that would have been spent for a contract that was not filled in FY94 because of illness of the spokesperson. Also public need for brochures was less than anticipated because of fewer traffic safety laws passed by the 1993 Legislature. The division developes countermeasure brochures using federal funds when there are any significant changes in traffic safety laws . Public service announcements, billboards and various other types of information mediums are contracted to private enterprises.

Equipment - Equipment recommended for the 1997 biennium includes two replacement computers at $4,600 each year. The amount is $4,842 less than the base.

Three per cent of construction funds - The allocation of highway construction funds to will increase

from $1.6 million in FY95 to $3.2 million in each year of the 1997 biennium. Approximately 3% of highway construction funds will be received by the division from the U.S. Department of Transportation because Montana does not have both a seat belt and motorcycle helmet use law. The funds, to be used for grants to cities, counties and state agencies with the same restrictions as grants received in the past. The department and Governor are proposing to expend the funds in the following manner:

UTILIZATION OF 3% HIGHWAY CONSTRUCTION PENALTY FUNDS

	FEDERAL FY96		FEDERAL FY97	
	LOCAL BENEFIT	STATE BENEFIT	LOCAL BENEFIT	STATE BENEFIT
TRAFFIC RECORDS				
EMS Data Acquisition and User	100,000			
Dept of Transportation Traffic Records		161,849		
CJIN Local Improvements			63,000	
MHP In-Car Convertible Computers				600,000
MHP In-Car Global Position System (GPS) units				180,000
Local In-Car Computers			1,000,000	
Local In-Car (GPS) Units			573,941	
ALCOHOL				
MHP In-Car Video		600,000		
Local In-car Video	800,000			
Local DUI Task Forces	200,000		200,000	
Portable Alcohol Testing	100,000		100,000	
POLICE TRAFFIC SERVICES				
Public Safety Radio Study	100,000	100,000		
7.00 FTE New MHP Officers		438,151		283,059
ROADWAY				
Local Work Zone Signing	200,000			
Local Road Accident Studies	200,000			
EMS				
Trauma Plan Implementation	100,000	100,000	100,000	100,000
TOTAL LOCAL & STATE BENEFITS	1,800,000	1,400,000	2,036,941	1,163,059

Funding

The general fund appropriation is from the first $50 of the $100 driver's license reinstatement fee passed through to cities and counties with approved DUI Task Force Programs. The estimated amount is $250,000 each year of the biennium.

State special revenue funds of $86,000 from gas tax provide the required 50% match on federal funds for administration and planning costs.

Federal funds include $900,000 and $3.2 million each year for federal pass-through grant authority and $410,578 in FY96 and $412,578 in FY97 for operating costs.

Department of Justice

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	665.70	-13.15	20.00	672.55	-13.15	20.00	672.55
Personal Services	21,837,777	1,297,013	-356,660	22,778,130	1,431,090	-388,424	22,880,443
Operating Expenses	8,270,130	1,344,669	718,580	10,333,379	1,041,713	611,905	9,923,748
Equipment	1,797,911	-173,821	1,940,229	3,564,319	-286,393	1,056,691	2,568,209
Transfers	5,000	-5,000	0	0	-5,000	0	0
Debt Service	312,324	-8,169	0	304,155	-34,780	0	277,544
Total Agency Costs	**32,223,142**	**$2,454,692**	**$2,302,149**	**$36,979,983**	**$2,146,630**	**$1,280,172**	**$35,649,944**
General Fund	12,984,887	1,726,305	1,379,997	16,091,189	1,202,978	1,639,901	15,827,766
State Special Revenue Fund	16,612,069	999,236	-242,049	17,369,256	1,280,337	-1,293,145	16,599,261
Federal Special Revenue Fund	1,573,232	120,726	1,191,473	2,885,431	52,906	960,893	2,587,031
Proprietary Fund	1,052,954	-391,575	-27,272	634,107	-389,591	-27,477	635,886
Total Funding Costs	**32,223,142**	**$2,454,692**	**$2,302,149**	**$36,979,983**	**$2,146,630**	**$1,280,172**	**$35,649,944**
Legal Services Division	2,335,150	-75,527	122,050	2,381,673	-591,556	121,877	1,865,471
Agency Legal Services	563,852	88,152	-26,922	625,082	91,051	-27,125	627,778
Gambling Control Division	1,946,505	114,290	1,250,972	3,311,767	113,114	213,104	2,272,723
Motor Vehicle Division	6,086,912	847,342	-125,892	6,808,362	790,656	-179,354	6,698,214
Highway Patrol Division	13,312,567	802,377	910,629	15,025,573	1,039,558	912,810	15,264,935
Law Enforcement Services Div	2,871,815	188,903	87,270	3,147,988	190,899	53,388	3,116,102
County Attorney Payroll	1,329,903	113,962	0	1,443,865	150,460	0	1,480,363
Law Enforcement Academy Div	648,163	95,562	54,585	798,310	103,448	45,013	796,624
Central Services Division	511,223	-42,530	-17,484	451,209	-88,698	-17,607	404,918
Computer Serv & Plan Division	1,206,442	219,006	46,482	1,471,930	220,423	165,211	1,592,076
Extradition & Transp Prisoners	117,219	24,615	0	141,834	38,798	0	156,017
Forensic Science Division	1,293,391	78,540	459	1,372,390	88,477	-7,145	1,374,723
Total Program Costs	**32,223,142**	**$2,454,692**	**$2,302,149**	**$36,979,983**	**$2,146,630**	**$1,280,172**	**$35,649,944**

MISSION STATEMENT: Under the direction of the Attorney General, to provide the state level leadership and coordination necessary for effective law enforcement and public safety.

4110-01 LEGAL SERVICES DIVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	40.50	-9.00	4.00	35.50	-9.00	4.00	35.50
Personal Services	1,374,701	76,963	90,429	1,542,093	79,609	90,734	1,545,044
Operating Expenses	943,547	-172,588	16,728	787,687	-691,263	16,728	269,012
Equipment	11,119	25,881	14,893	51,893	25,881	14,415	51,415
Transfers	5,000	-5,000	0	0	-5,000	0	0
Debt Service	783	-783	0	0	-783	0	0
Total Agency Costs	**2,335,150**	**$-75,527**	**$122,050**	**$2,381,673**	**$-591,556**	**$121,877**	**$1,865,471**
General Fund	2,164,440	-121,804	141,959	2,184,595	-638,850	141,913	1,667,503
State Special Revenue Fund	131,106	46,102	-19,015	158,193	46,991	-19,139	158,958
Federal Special Revenue Fund	39,604	175	-894	38,885	303	-897	39,010
Total Funding Costs	**2,335,150**	**$-75,527**	**$122,050**	**$2,381,673**	**$-591,556**	**$121,877**	**$1,865,471**

Present Law Mandates

The Legal Services Division Program operates as a state mandate.

Present Law Base

Personal Services - Net present law adjustment increases are due to annualization of the FY95 pay plan, vacancy savings realized during FY94, and adjustments for employee benefit rates and longevity.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $16,796 in FY96 and $17,621 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Major Litigation - There is $500,000 recommended in FY96 only as a biennial appropriation for costs associated with litigation in which the Legal Services Division must provide representation to the State of Montana. The expenses are primarily for consultants and expert witnesses in major cases with complex technical issues. The recommended amount is less than the $719,028 expended in FY94.

Case-Related Out-of-State Travel - There is $19,800 each year for out-of-state travel recommended as a restricted case-related travel appropriation. These are the estimated costs for cases appealed to the 9th Circuit Court of Appeals, the U.S. Supreme Court, and for post-conviction cases that will require out-of-state travel and depositions.

Equipment - Replacement equipment increases are attributable to a significant replacement of 20 personal computers each year along with related upgrades and one laser printer each year. The computers will all be at least five years old prior to replacement.

Transfers - A one-time major litigation appropriation authority transfer to another state agency is not required the 1997 biennium.

Debt Service - A photocopier lease/purchase contract was paid off during FY95.

Language - The following language in the 1995 biennium general appropriations act again will be recommended:

"The legislature recognizes that costs associated with litigation in which the legal services division must provide representation to the State of Montana may exceed the appropriation provided. In that event, the department will need to request a supplemental appropriation from the 1997 legislature to adequately represent the state."

New Proposals

Personal Services Reduction - Total personal services are reduced by $44,678 in FY96 and $44,851 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan.

Bankruptcy/Collections Unit - There are 4.00 FTE, including two attorneys, one paralegal, and a legal secretary, and $151,728 each year recommended for creation of a unit to specialize in the collection of money due the state, with emphasis on bankruptcy practice. Funding for the 1997 biennium will be from the general fund and the unit will "sunset" at fiscal year end 1997 if collections do not equal or exceed expenditures. If continued into the ensuing biennium, the unit could be funded from the proprietary fund. The federal bankruptcy trustee has noted that state agencies are inconsistent in efforts to pursue bankrupt debtors and the state may be losing significant dollars each year.

Antitrust Revolving Account - State special revenue authority of $15,000 each year is recommended to establish an antitrust action revolving account. The Attorney General is occasionally asked to participate, and does, in multi-state antitrust actions. These cases often produce small recoveries of damages and require participation in the cost of litigation. There is no present law base for these costs and this proposal would establish a means to defray the costs.

Motor Vehicle Attorney Fund Switch - An attorney position devoted primarily to Motor Vehicle and Highway Patrol Division activities is partially funded with highways special revenue in the present law base. This proposal will offset those funds with general fund consistent with the similar funding switch proposed for the Motor Vehicle Division. The amount of the switch is about $28,700 per year.

Natural Resource Damage Program (NRDP) - This program, established to carry out the duties of the Governor as they relate to damages from the release of hazardous substances, was transferred from the Department of Health and Environmental Sciences to the Department of Justice Legal Services Division during FY94 and made retroactive to July 1. The NRDP is charged with completing the assessment and lawsuit for the Upper Clark Fork River Basin and can pursue other natural resource damage claims across the state. The NRDP is not recommended for funding in the general appropriations act; funding has been provided by a loan from the coal severance tax permanent fund in the current biennium. A bill is planned for the 1995 Legislature to reauthorize the loans and appropriation authority for the 1997 biennium. The litigation process will continue until a settlement is reached or the case is tried.

Funding

Funding is provided predominantly from the general fund. The program is also supported with state special revenue from: gambling license fees, contract payments from the State Fund, and highways special revenue (subject to the fund switch new proposal), and by a federal grant from the Montana Board of Crime Control.

4110-06 AGENCY LEGAL SERVICES

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	13.50	.00	.00	13.50	.00	.00	13.50
Personal Services	463,657	74,775	-26,922	511,510	77,055	-27,125	513,587
Operating Expenses	98,856	14,716	0	113,572	15,335	0	114,191
Debt Service	1,339	-1,339	0	0	-1,339	0	0
Total Agency Costs	**563,852**	**$88,152**	**$-26,922**	**$625,082**	**$91,051**	**$-27,125**	**$627,778**
Proprietary Fund	563,852	88,152	-26,922	625,082	91,051	-27,125	627,778
Total Funding Costs	**563,852**	**$88,152**	**$-26,922**	**$625,082**	**$91,051**	**$-27,125**	**$627,778**

Present Law Mandates

The Agency Legal Services Program exists to provide cost-effective legal services to state agencies. It has no state or federal mandate.

Present Law Base

Personal Services - Net present law adjustment increases are due to annualization of the FY95 pay plan, vacancy savings realized during FY94, and adjustments for employee benefit rates and longevity.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $5,086 in FY96 and $5,705 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Debt Service - A photocopier lease/purchase contract was paid off during FY95.

New Proposals

Personal Services Reduction - Total personal services are reduced by $26,922 in FY96 and $27,125 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan.

Funding

Funding is from an internal service account in the proprietary fund.

4110-07 GAMBLING CONTROL DIVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	42.00	.00	6.00	48.00	.00	6.00	48.00
Personal Services	1,400,143	87,755	85,289	1,573,187	95,195	85,220	1,580,558
Operating Expenses	405,457	86,842	156,579	648,878	88,724	109,484	603,665
Equipment	138,007	-60,307	1,009,104	1,086,804	-67,907	18,400	88,500
Debt Service	2,898	0	0	2,898	-2,898	0	0
Total Agency Costs	**1,946,505**	**$114,290**	**$1,250,972**	**$3,311,767**	**$113,114**	**$213,104**	**$2,272,723**
General Fund	0	433,349	62,479	495,828	433,492	43,301	476,793
State Special Revenue Fund	1,538,955	88,491	1,188,493	2,815,939	87,172	169,803	1,795,930
Proprietary Fund	407,550	-407,550	0	0	-407,550	0	0
Total Funding Costs	**1,946,505**	**$114,290**	**$1,250,972**	**$3,311,767**	**$113,114**	**$213,104**	**$2,272,723**

Present Law Mandates

The Gambling Control Division Program operates as a state mandate.

Present Law Base

Personal Services - Net present law adjustment increases are due to annualization of the FY95 pay plan, mid-year FY94 parity upgrades for investigators transferred into the program from the Department of Revenue, and adjustments for employee benefit rates and longevity.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $21,682 in FY96 and $23,109 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Out-of-state and Foreign Travel - Out-of-state and foreign travel increases by $15,000 each year. Non-domestic corporations applying for a gaming license must undergo the same background investigation as in-state coporations. This frequently entails travel to the corporation headquarters. Costs incurred during these investigations are totally reimbursed by the applicant and the reimbursement is deposited in the gambling license account.

Civil Hearings and Criminal Prosecutions - A $50,000 increase each year is projected for legal fees due to caseload growth trends in the number of administrative hearings and criminal prosecutions. Civil proceedings are initiated by license applicants or current licensees who appeal administrative actions such as license denials. Criminal prosecutions stem from referrals to the department from county attorneys. Legal fees are paid to other programs in the department; fees paid to the County Prosecutor Services Bureau are deposited in the general fund and fees paid to the Agency Legal Services Program are deposited in an internal service proprietary account.

Equipment - Replacement equipment decreases by over $60,000 each year below the FY94 level. Four vehicles are recommended for replacement each year along with surveillance equipment, a communications pod, and various office and computer equipment.

New Proposals

Personal Services Reduction - Total personal services are reduced by $74,395 in FY96 and $75,015 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan. The reductions are allocated between the general fund and state special revenue. There is $15,623 in FY96 and $15,753 in FY97 allocated to reduction of general fund.

Automated Video Gambling System - A biennial appropriation of $950,000 in state special revenue is recommended to conduct a study and begin implementation of an automated video gambling

machine system for the accounting and reporting of taxes due from video gambling machines. The automated system, called a "dial-up" system, involves linking all of the video gambling machines in play with a central computer system monitored on a daily basis. During FY93, the Office of the Legislative Auditor concluded in a performance audit report that the present manual tax system was both inefficient and ineffective. The cost of this proposal will be funded within current revenue projections with no increase in machine permit or other fees.

New Vehicle and Equipment - There is $13,600 recommended in FY96 for the acquisition of one new vehicle and a portable computer.

Migration to the State Computer System - There is $35,446 in FY96 and $35,298 in FY97 proposed for eight new personal computers and software as part of the program "migration" to the state mainframe. The current system consists of dummy terminals connected to a local area computer that cannot be connected into the state network. The migration process will allow for full communication and information sharing with the rest of the department and with the Liquor Division of the Department of Revenue.

New Rental Space - Increased rental expense of $33,412 each year is recommended to cover higher central office costs resulting from a FY95 move to a new location. The addition of the liquor investigation staff from the Department of Revenue in FY94 further exacerbated a preexisting overcrowded situation and necessitated the move. The central office site also houses the machine testing lab.

Additional Compliance Staff - There are 6.00 FTE added and $292,909 in FY96 and $219,409 in FY97 proposed to prevent further backlogs in field audits, quarterly report processing and compliance, and gambling machine inspections. The increased staff will consist of 3.00 FTE revenue agents, 1.00 FTE compliance specialist, 1.00 FTE machine inspector, and 1.00 FTE clerical support. No increased fees are proposed to fund the recommendation.

Funding

Funding is approximately 21% from the general fund and 79% state special revenue from the gambling license fee account. The general fund offsets liquor fee proprietary funds transferred from the Department of Revenue in FY94 as explained further in the next paragraph.

The liquor investigation function tranferred from the Department of Revenue at the beginning of FY94 has been funded by liquor enterprise funds. As a result of an interim audit recommendation by the Office of the Legislative Auditor, those funds will be used only for the liquor merchandising operation in the Department of Revenue beginning in FY96. The present law base reduction in proprietary funds in the Department of Justice is offset by a switch to the general fund. The use of liquor enterprise funds is virtually synonymous with the use of general fund insofar as liquor enterprise profits are transferred to the general fund; therefore, the net impact to the general fund is zero.

The genreal fund increase for the amount shifted from liquor is $407,550 in each year of the 1997 biennium.

4110-12 MOTOR VEHICLE DIVISION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	160.25	-4.65	-2.00	153.60	-4.65	-2.00	153.60
Personal Services	3,677,030	307,320	-209,538	3,774,812	325,329	-236,784	3,765,575
Operating Expenses	2,146,984	533,514	83,646	2,764,144	534,932	57,430	2,739,346
Equipment	117,127	8,683	0	125,810	-43,717	0	73,410
Debt Service	145,771	-2,175	0	143,596	-25,888	0	119,883
Total Agency Costs	**6,086,912**	**$847,342**	**$-125,892**	**$6,808,362**	**$790,656**	**$-179,354**	**$6,698,214**
General Fund	4,957,468	865,126	985,768	6,808,362	808,440	932,306	6,698,214
State Special Revenue Fund	1,111,660	0	-1,111,660	0	0	-1,111,660	0
Federal Special Revenue Fund	17,784	-17,784	0	0	-17,784	0	0
Total Funding Costs	**6,086,912**	**$847,342**	**$-125,892**	**$6,808,362**	**$790,656**	**$-179,354**	**$6,698,214**

Present Law Mandates
The Motor Vehicle Division Program operates as a state mandate.

Present Law Base
Personal Services - Net present law adjustment increases are due to annualization of the FY95 pay plan, class upgrades of administrative support and license clerk positions, vacancy savings realized during FY94, and adjustments for employee benefit rates and longevity.
Inflation/Deflation & Fixed Costs - Net operating expenses decrease by $421 in FY96 and increase by $2,677 in FY97 as a result of inflation/deflation and fixed costs adjustments.
Increased Mainframe Usage - Annualizing the mainframe computer processing flat fee for the conversion of the driver license and motor vehicle records results in a gross increase of $466,339 each year and a net increase of $335,939 each year, excluding deflation adjustments. The FY94 base reflects six months of activity under the "old" flat fee and six months under the "new" flat fee. The first six months' expense under the "old" flat fee was approximately $130,400 and the removal of this amount decreases the net present law adjustment. The conversion from the "System B" mainframe backup system to the "System A" mainframe occurred January, 1994, as authorized by the last legislature.
Digitized Driver Licenses - HB397 in the 1993 legislative session authorized the digitized driver license process with an annual cost of $195,000. The process was not fully implemented until late FY94. An increase of $173,186 each year provides for the estimated full year expenses.
Equipment - Replacement equipment increases by $8,683 in FY96 and decreases by $43,717 in FY97. An array of vehicles, office, and microfilm equipment is scheduled for replacement.
Debt Service - Total debt service decreases in both years of the biennium as lease/purchase contracts for personal computers, printers, and microfilm readers are completed.

New Proposals
Personal Services Reduction - Total personal services are reduced by 2.00 FTE and $234,538 in FY96 and $236,784 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan.

Relocation-Registrar's Bureau - An increase of $111,000 in FY96 for rent and moving expenses and $60,000 in FY97 for rent is recommended for the relocation of the Title and Registration Bureau in Deer Lodge. The current location is state-owned and has housed the bureau since 1918. The

building is in need of major structural renovation to remain a minimally-viable site. Estimates for major renovation are at least $250,000. It is estimated that adequate leased space may be secured for a rate of $6 per square foot.

Motor Vehicle Division Fund Switch - There is $1.1 million per year of highway special revenue funding recommended to be switched back to general fund for the 1997 biennium. Temporary one-time funding support was provided for this program from highway special revenue in the 1995 biennium: $1.1 million in FY94 and $4.2 million in FY95.

Funding

Funding is from the general fund. FY94 funding included $1.1 million in temporary funding support from the highways special revenue account; that amount is recommended to be switched back to general fund for the 1997 biennium.

4110-13 HIGHWAY PATROL DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	270.05	.00	10.00	280.05	.00	10.00	280.05
Personal Services	9,655,002	158,833	-136,700	9,677,135	204,394	-139,419	9,719,977
Operating Expenses	2,513,243	569,366	215,115	3,297,724	794,566	179,555	3,487,364
Equipment	1,144,322	74,178	832,214	2,050,714	40,598	872,674	2,057,594
Total Agency Costs	**13,312,567**	**$802,377**	**$910,629**	**$15,025,573**	**$1,039,558**	**$912,810**	**$15,264,935**
State Special Revenue Fund	12,696,570	686,475	-55,195	13,327,850	995,256	-134,557	13,557,269
Federal Special Revenue Fund	615,997	115,902	965,824	1,697,723	44,302	1,047,367	1,707,666
Total Funding Costs	**13,312,567**	**$802,377**	**$910,629**	**$15,025,573**	**$1,039,558**	**$912,810**	**$15,264,935**

Present Law Mandates

The Highway Patrol Division Program operates as a state mandate with the exception of the Motor Carrier Safety Assistance Program which has both federal and state mandates.

Present Law Base

Personal Services - Net present law adjustment increases are due to annualization of the FY95 pay plan, increased patrol officer overtime reimbursed by outside parties and increased overtime for the Motor Carrier Safety Assistance Program (MCSAP), and adjustments for employee benefit rates and longevity.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $134,907 in FY96 and $174,792 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Prisoner Per Diem - Payments to local governments for highway patrol prisoner per diem increase by $257,409 in FY96 and $433,909 in FY97 based upon an estimated 18% trend factor. The trend factor, in line with recent averages, considers prisoner day volume growth rather than per diem rate increases.

Gasoline - Patrol officer gasoline increases by $111,400 in FY96 and $80,900 in FY97, excluding the inflation factors agreed to by LFA and OBPP, to the net expense level projected for FY95. This projection assumes no increase in usage but acknowledges the current price per gallon.

Motor Carrier Safety Assistance Program (MCSAP) - Operating expenses increase by $54,000 in FY96 and $56,000 in FY97 for increased federally-mandated and federally-funded activities.

Equipment - Replacement equipment increases are attributable to routine vehicle replacement for patrol and MCSAP officers.
Federal Crime Bill-Cadets Training - The potential for receipt of federal crime bill funds for the training of up to 10.00 FTE new patrol officers, or 33% of the 30 cadets participating in the cadet school in FY96, is embodied in the FY96 funding. There is $70,220 in federal grant funds used to offset that amount of highways special revenue. Language is proposed for the general appropriations act to address the contingent nature of these funds:
"If the total amount of federal special revenue in item [xx] (Highway Patrol Cadets) is not received by the department, the federal special revenue appropriation in item xx must be decreased or deleted by an amount up to $70,220, and the state special revenue appropriation must be increased by the same amount as the federal special revenue appropriation is decreased."
Language Appropriation - The following language appropriation authority will be recommended in the general appropriations act. This is similar to the language authority for the 1995 biennium.
"The department is authorized to transfer the retirement contributions provided in Sections 19-6-404 and 61-5-121(1)(a), MCA, in fiscal year 1996 and 1997 from the highway patrol retirement clearing account in the state special revenue fund to the Montana highway patrol officers' retirement pension trust fund. An appropriation must be established each year in the amount required to be transferred up to the amount of $650,000."

New Proposals
Personal Services Reduction - Total personal services are reduced by $478,821 in FY96 and $482,750 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan.

New Patrol Officers - There are 10.00 FTE new patrol officers and $634,191 in FY96 and $397,801 in FY97 recommended to improve the safety of highway users and improve incident response time. Of the total biennial amount, $721,200, or about 70%, is expected to be funded by a federal grant through the Highway Traffic Safety Division.

In-Car Automation/New Equipment - There is $622,674 in FY96 and $872,674 in FY97 is proposed for new equipment for the highway patrol and MCSAP. Of these amounts, $600,000/$780,000 is attributable to in-car convertible computers and global position system units and will be funded by federal grants through the Highway Traffic Safety Division.

Rent, Repair, and Training - Recommended $32,585 in FY96 and $25,085 in FY97 for a variety of projects, primarily relocation of the Billings highway patrol office to a more adequate facility.

Accident Prevention Unit Fund Switch - The Accident Prevention Unit, charged with conducting intensive enforcement activity based on accident frequency data, has reached the end of its federal funding cycle. The National Highway Traffic Safety Administration has funded a major portion of this unit for the past nine years and the funds will terminate during FY96. A fund switch to highways special revenue of $158,960 in FY96 and $161,699 in FY97 will maintain the unit. Due to the timing of the federal fiscal year end, 25% or about $40,000 of the FY96 total will be covered by the final quarter of the federal grant.

Legislative Contract Authority - There is $100,000 per year in federal spending authority recommended to allow the program to expend additional federal funds that may become available in a timely and efficient manner. General appropriations act language is recommended to accompany this authority:
"The legislature intends that the appropriation for legislative contract authority provide adequate spending authority to enable faster and more cost-effective startup of services otherwise initiated by budget amendment. Prior to authorizing use of the appropriation, the office of budget and program

planning must require the usual and necessary contract justification. A legislative contract authority appropriation must be accounted for and reported separately from all other appropriations. In the event that the amount of the department's additional federal contracts exceeds its legislative contract authority, additional spending authority must be established in accordance with the provisions of the budget amendment law in Title 17, Chapter 7, part 4, MCA."

Funding

Funding is predominantly from the highways special revenue account. Federal funds support 85% of MCSAP and significant additional federal grant funds are will be available through the Highway Traffic Safety Division.

4110-18 LAW ENFORCEMENT SERVICES DIV

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	55.00	.50	.00	55.50	.50	.00	55.50
Personal Services	1,640,410	270,184	-95,530	1,815,064	278,873	-96,612	1,822,671
Operating Expenses	857,888	109,477	150,000	1,117,365	114,584	150,000	1,122,472
Equipment	253,419	-190,819	32,800	95,400	-202,619	0	50,800
Debt Service	120,098	61	0	120,159	61	0	120,159
Total Agency Costs	**2,871,815**	**$188,903**	**$87,270**	**$3,147,988**	**$190,899**	**$53,388**	**$3,116,102**
General Fund	1,599,762	255,964	-51,626	1,804,100	259,442	291,202	2,150,406
State Special Revenue Fund	339,762	64,699	-1,167	403,294	62,604	-12,237	390,129
Federal Special Revenue Fund	860,554	-60,023	140,063	940,594	-59,410	-225,577	575,567
Proprietary Fund	71,737	-71,737	0	0	-71,737	0	0
Total Funding Costs	**2,871,815**	**$188,903**	**$87,270**	**$3,147,988**	**$190,899**	**$53,388**	**$3,116,102**

Present Law Mandates

The Law Enforcement Services Division Program operates under both state and federal mandates.

Present Law Base

Personal Services - Net present law adjustment increases are due to annualization of the FY95 pay plan, vacancy savings realized during FY94, mid-year FY94 parity upgrades for investigators transferred into the program from the Department of Revenue, and adjustments for employee benefit rates and longevity.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $46,880 in FY96 and $49,808 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Transfers for Welfare Fraud - There is $12,700 per year in operating increases attributable to FY94 welfare fraud investigative expenses, which are excluded from the base because the appropriation authority was transferred from the Department of Social and Rehabilitation Services.

Annualized Operating Expenses - Operating expense increases other than those cited above stem from annualization of FY94 investigative expenses due to the phase-in of new FTE and extended vacancy savings.

Equipment - Replacement vehicles and law enforcement equipment decrease by approximately $200,000 each year below the substantial FY94 level.

New Proposals

Personal Services Reduction - Total personal services are reduced by $95,530 in FY96 and $96,612 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan. The reductions are allocated among the general fund, state special revenue, and federal special revenue. Over $68,000 each year is allocated to the reduction of general fund.

Automated Fingerprint Identification System (AFIS) Fund Switch - The AFIS began operation in Montana during FY93 and is funded with federal grant and forfeiture funds in the present law base. Federal grant funds will terminate during FY96. The FY97 system expenses of $360,000 are proposed to be funded by the general fund. The AFIS is a high technology computer system that stores, searches, compares, and retrieves fingerprint images and has proved to be a highly effective alternative to the labor-intensive manual system.

New Law Enforcement Equipment - There is $32,800 recommended in FY96 for the acquisition of new network computer equipment and software, and investigative law enforcement equipment including radios and body wires.

Legislative Contract Authority - There is $150,000 per year in federal spending authority recommended to allow the program to expend additional federal funds that may become available in a timely and efficient manner. General appropriations act language is recommended to accompany this authority:

"The legislature intends that the appropriation for legislative contract authority provide adequate spending authority to enable faster and more cost-effective startup of services otherwise initiated by budget amendment. Prior to authorizing use of the appropriation, the office of budget and program planning must require the usual and necessary contract justification. A legislative contract authority appropriation must be accounted for and reported separately from all other appropriations. In the event that the amount of the department's additional federal contracts exceeds its legislative contract authority, additional spending authority must be established in accordance with the provisions of the budget amendment law in Title 17, Chapter 7, part 4, MCA."

Language - The department requests that the following language also be considered for includsion in the general appropriations act:

"The department is authorized to request a budget amendment for the rural statewide intelligence network if federal grant funds become available during the 1997 biennium."

Funding

Funding is provided through a mix of general fund, state special revenue from a contract with the State Fund, and federal Board of Crime Control grant, welfare fraud, and forfeiture funds. The general fund share increases in the 1997 biennium due to the recommended AFIS fund switch in FY97 and because of the offset of liquor fee proprietary funds transferred from the Department of Revenue in FY94 and explained further in the next paragraph.

The welfare fraud investigation function tranferred from the Department of Revenue at the beginning of FY94 had the required state match funded by liquor enterprise funds. As a result of an interim audit recommendation by the Office of the Legislative Auditor, those funds will be used only for the liquor merchandising operation in the Department of Revenue beginning in FY96. The present law base reduction in proprietary funds in the Department of Justice is offset by a switch to the general fund. The use of liquor enterprise funds is virtually synonymous with the use of general fund insofar as liquor enterprise profits are transferred to the general fund; therefore, the net impact to the general fund is zero.

The general fund increase amount for the fund shift is $167,202 in FY96 and $166,057 in FY97.

4110-19 COUNTY ATTORNEY PAYROLL

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	20.40	.00	.00	20.40	.00	.00	20.40
Personal Services	1,329,903	113,962	0	1,443,865	150,460	0	1,480,363
Total Agency Costs	**1,329,903**	**$113,962**	**$0**	**$1,443,865**	**$150,460**	**$0**	**$1,480,363**
General Fund	1,329,903	113,962	0	1,443,865	150,460	0	1,480,363
Total Funding Costs	**1,329,903**	**$113,962**	**$0**	**$1,443,865**	**$150,460**	**$0**	**$1,480,363**

Present Law Mandates

The County Attorney Payroll Program exists as a state mandate.

Present Law Base

Personal Services - The present law adjustment increases are due to applying a 3% annual estimated Consumer Price Index (CPI) rate increase to the FY94 base. Section 7-4-2503, MCA, establishes the calculation limit for annual county attorney salary increases based upon the previous year's change in the CPI.

Funding

Funding is from the general fund.

4110-22 LAW ENFORCEMENT ACADEMY DIV

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	10.50	.00	.00	10.50	.00	.00	10.50
Personal Services	386,346	80	-11,895	374,531	2,184	-11,987	376,543
Operating Expenses	256,192	94,875	54,480	405,547	100,657	55,000	411,849
Equipment	1,905	-5	12,000	13,900	-5	2,000	3,900
Debt Service	3,720	612	0	4,332	612	0	4,332
Total Agency Costs	**648,163**	**$95,562**	**$54,585**	**$798,310**	**$103,448**	**$45,013**	**$796,624**
General Fund	648,163	13,792	8,105	670,060	18,938	8,013	675,114
Federal Special Revenue Fund	0	81,770	46,480	128,250	84,510	37,000	121,510
Total Funding Costs	**648,163**	**$95,562**	**$54,585**	**$798,310**	**$103,448**	**$45,013**	**$796,624**

Present Law Mandates

The Law Enforcement Academy Program exists as a state mandate.

Present Law Base

Personal Services - The net present law adjustment increases are due to annualization of the FY95 pay plan. The FY94 base includes over $13,000 in termination payouts that are not budgeted for in the 1997 biennium.

Inflation/Deflation & Fixed Costs - Net operating expenses increase by $10,200 in FY96 and $13,242 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Increase Meals/Instructors - Expenses for meals and contract instructors are expected to increase by $15,900 in FY96 and $18,640 in FY97. The rate charged by Montana State University for cafeteria services to academy students will increase by $0.90 per day to $15.75 in FY96. The contract rate for instructors is expected to increase from $10 per hour to $12 per hour in FY96 and to $12.50 per hour in FY97. It is anticipated that federal grant funds will be available to fund these police officer training costs during the 1997 biennium.

Continue Rental of Additional Facilities - There is $65,870 budgeted each year for rental of additional space for classrooms and training areas. Because of the construction delay for the new Gallatin County facility, the planned additional rent expenses were not incurred in FY94. The original appropriation for FY94 contemplated lease costs of $59,500. The budgeted amount would allow for the rent of approximately 7,000 square feet at $9.40 per square foot. However, now that the voters of Gallatin County defeated the construction bond issue on November 8, 1994, it is anticipated that further revisions to this plan will be prepared for legislative consideration. It is anticipated that federal grant funds will be available to fund training facility costs during the 1997 biennium.

Equipment - Replacement equipment is recommended at slightly below the base year level.

Debt Service - An increase of $612 per year is for the installment purchase of a photocopier.

Federal Crime Bill Training Grants - The potential for receipt of federal crime bill funds for the training and testing of new police officers is embodied in the funding of some present law adjustments and new proposals. Language is proposed for the general appropriations act to address the contingent nature of these funds:

"If the total amount of federal special revenue in item [xx] is not received by the department, the federal special revenue appropriation in item xx must be decreased and the general fund appropriation must be increased by the same amount as the federal special revenue appropriation is decreased."

New Proposals

Personal Services Reduction - Total personal services are reduced by $11,985 in FY96 and $11,987 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan.

Central Testing Equipment - At a cost of $12,000 in FY96 and $2,000 in FY97, the academy can offer centralized entry level police testing three or four times annually. This will alleviate the current multiple-test problem for local law enforcement agencies that administer 2,000 tests annually to approximately 700 individuals for approximately 160 job openings. The certified scores will be registered for a two-year period. Test grading equipment and computer software will be required and funded by this proposal. It is estimated that federal grant funds will be available as a funding source.

Increase the Number of Basic School Students - There is $24,480 recommended in FY96 and $25,000 in FY97 to expand the class size for the basic training courses from 28 to 32. This will allow an additional 16 students to be trained each year. It is estimated that federal grant funds for new police officers will be available to fund this proposal.

Spending Authority for Uniforms and the Executive Institute - The most recent audit report by the Office of the Legislative Auditor recommended that off-budget transactions in the alumni fund be recorded on the Statewide Budgeting and Accounting System. This fund is controlled by the Montana Sheriff's and Peace Officer's Association and used to purchase uniforms for recruits in basic

training and to facilitate special training workshops. The increase of $18,000 per year will be completely offset by increased training fees that will be deposited in the general fund.

Reinstate Coroner Training - To adequately fund the required basic and advanced coroner courses, $2,000 each year is recommended. The basic course is offered during the second year of the biennium so the costs have not been captured as base year expenses.

Legislative Contract Authority - There is $10,000 per year in federal spending authority recommended to allow the program to expend additional federal funds that may become available in a timely and efficient manner. General appropriations act language is recommended to accompany this authority:
"The legislature intends that the appropriation for legislative contract authority provide adequate spending authority to enable faster and more cost-effective startup of services otherwise initiated by budget amendment. Prior to authorizing use of the appropriation, the office of budget and program planning must require the usual and necessary contract justification. A legislative contract authority appropriation must be accounted for and reported separately from all other appropriations. In the event that the amount of the department's additional federal contracts exceeds its legislative contract authority, additional spending authority must be established in accordance with the provisions of the budget amendment law in Title 17, Chapter 7, part 4, MCA."

Funding
Funding is from the general fund and federal grant funds as available.

4110-28 CENTRAL SERVICES DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	10.00	.00	.00	10.00	.00	.00	10.00
Personal Services	350,286	536	-17,484	333,338	2,239	-17,607	334,918
Operating Expenses	156,207	-42,336	0	113,871	-90,207	0	66,000
Equipment	4,730	-730	0	4,000	-730	0	4,000
Total Agency Costs	**511,223**	**$-42,530**	**$-17,484**	**$451,209**	**$-88,698**	**$-17,607**	**$404,918**
General Fund	248,055	-46,546	10,135	211,644	-66,644	8,281	189,692
State Special Revenue Fund	253,353	4,456	-27,269	230,540	-20,699	-25,536	207,118
Proprietary Fund	9,815	-440	-350	9,025	-1,355	-352	8,108
Total Funding Costs	**511,223**	**$-42,530**	**$-17,484**	**$451,209**	**$-88,698**	**$-17,607**	**$404,918**

Present Law Mandates
The Central Services Division Program exists as a state mandate.

Present Law Base
Personal Services - The net present law adjustment increases are due to annualization of the FY95 pay plan. The FY94 base includes $19,000 in termination payouts that are not budgeted for in the 1997 biennium.
Inflation/Deflation & Fixed Costs - Net operating expenses decrease by $50,202 in FY96 and $98,073 in FY97 as a result of inflation/deflation and fixed costs adjustments. Fixed costs for

insurance and bonds were allocated among the other department programs for the 1997 biennium, but the FY94 expenses were recorded in this program.
Equipment - Replacement equipment is recommended in amounts slightly below the base year level.

New Proposals
Personal Services Reduction - Total personal services are reduced by $17,484 in FY96 and $17,607 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan.

Internal Cost Allocation Fund Switch - The proportional state special revenue funding share for this program is shifted to general fund in the amounts of $17,653 in FY96 and $15,852 in FY97 to correspond with the highways special revenue funding switch proposals in the Motor Vehicle Division and Legal Services Division programs. Typically, the funding allocation for this program is adjusted within the present law base; it is shown as a new proposal to more readily identify the impact.

Funding
Funding is provided through an internal cost allocation based upon total agency appropriations among major funding sources. Including the impact of new proposals, the funding mix for the 1997 biennium is 47% general fund, 51% state special revenue, and 2% proprietary.

4110-29 COMPUTER SERV & PLAN DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	24.00	.00	2.00	26.00	.00	2.00	26.00
Personal Services	685,412	115,873	13,972	815,257	119,807	13,859	819,078
Operating Expenses	423,107	151,406	2,592	577,105	153,681	4,320	581,108
Equipment	63,801	-47,321	29,918	46,398	-52,113	147,032	158,720
Debt Service	34,122	-952	0	33,170	-952	0	33,170
Total Agency Costs	1,206,442	$219,006	$46,482	$1,471,930	$220,423	$165,211	$1,592,076
General Fund	931,074	109,993	-2,577	1,038,490	111,410	-3,265	1,039,219
State Special Revenue Fund	275,368	109,013	49,059	433,440	109,013	105,476	489,857
Federal Special Revenue Fund	0	0	0	0	0	63,000	63,000
Total Funding Costs	1,206,442	$219,006	$46,482	$1,471,930	$220,423	$165,211	$1,592,076

Present Law Mandates
The Computer Services & Planning Division Program operates under state mandates.

Present Law Base
Personal Services - The net present law adjustment increases are due to annualization of the FY95 pay plan, vacancy savings realized during FY94, additional overtime, and employee benefit adjustments.
Inflation/Deflation & Fixed Costs - Net operating expenses increase by $17,183 in FY96 and $20,238 in FY97 as a result of inflation/deflation and fixed costs adjustments.
CJIN Armory Processing Fees - Computer processing fees for the "System B" mainframe located at the armory computer center increase by $127,134 each year due to a readjustment of the flat fee agreement between the department and the Department of Administration. The readjustment corresponds to the transfer of the motor vehicle system to "System A" during FY94. The Criminal Justice Information Network (CJIN) is maintained on System B.

Equipment - Replacement equipment is recommended at a level well below base year expenditures. Debt Service - A small decrease each year is due to minor adjustments in the installment purchase contract for all terminals, monitors, and printers provided to law enforcement agencies for CJIN access.

New Proposals

Personal Services Reduction - Total personal services are reduced by $39,864 in FY96 and $40,163 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan.

CJIN 2000 - There is $15,000 in FY96 and $133,300 in FY97 recommended to begin the modernization of the Criminal Justice Information Network (CJIN). The CJIN is a computerized system for Montana law enforcement officers and officials. The system, and its associated applications and databases including message switcher, criminal history records, stolen vehicles, and wanted persons, must be updated and brought into full compliance with the FBI National Crime Information Center standards by 1998. Federal highway safety grant funds of $63,000 will be available in FY97. The balance of the proposal will be funded with CJIN fees paid by user agencies.

CJIN Auditor/Training Positions - Recommended are 2.00 FTE and about $56,000 per year to improve operational support, maintenance capabilities, training, and auditing for the CJIN system. The CJIN unit currently has only 3.00 FTE for a system that is in operation 24 hours per day. Workload growth stems from additional CJIN user agencies at the rate of about four per year, and federal compliance requirements for certification of operators and biennial audits of all user agencies. The Office of the Legislative Auditor has recommended improvements in the CJIN system in various areas, including guidance and monitoring.

Four New CJIN Agencies - There is $14,912 in FY96 and $16,640 in FY97 in CJIN fee state special revenue proposed to add four new criminal justice agencies per year to the CJIN system. The waiting list is normally about twelve agencies.

Funding

Funding is provided by the general fund, state special revenue, and federal grants as available. The CJIN system is funded approximately 47% with general fund and 53% with CJIN-fee state special revenue.

4110-30 EXTRADITION & TRANSP PRISONERS

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Personal Services	166	-166	0	0	-166	0	0
Operating Expenses	117,053	24,781	0	141,834	38,964	0	156,017
Total Agency Costs	117,219	$24,615	$0	$141,834	$38,798	$0	$156,017
General Fund	117,219	24,615	0	141,834	38,798	0	156,017
Total Funding Costs	117,219	$24,615	$0	$141,834	$38,798	$0	$156,017

Present Law Mandates
The Extradition and Transportation of Prisoners Program operates under a state mandate.

Present Law Base
Personal Services - There are no personal services in this program.

Travel - Transportation and extradition expenses increase at about a 10% rate above the FY94 base. FY94 expenses were held down through improved management and pre-authorization requirements but volume growth is expected in FY95 and during the 1997 biennium.

Funding
Funding is from the general fund.

4110-32 FORENSIC SCIENCE DIVISION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	19.50	.00	.00	19.50	.00	.00	19.50
Personal Services	874,721	90,898	-48,281	917,338	96,111	-48,703	922,129
Operating Expenses	351,596	-25,384	39,440	365,652	-18,260	39,388	372,724
Equipment	63,481	16,619	9,300	89,400	14,219	2,170	79,870
Debt Service	3,593	-3,593	0	0	-3,593	0	0
Total Agency Costs	1,293,391	$78,540	$459	$1,372,390	$88,477	$-7,145	$1,374,723
General Fund	988,803	77,854	225,754	1,292,411	87,492	218,150	1,294,445
State Special Revenue Fund	265,295	0	-265,295	0	0	-265,295	0
Federal Special Revenue Fund	39,293	686	40,000	79,979	985	40,000	80,278
Total Funding Costs	1,293,391	$78,540	$459	$1,372,390	$88,477	$-7,145	$1,374,723

Present Law Mandates
The Forensic Science Division Program operates under a state mandate.

Present Law Base
Personal Services - The net present law adjustment increases are due to annualization of the FY95 pay plan, vacancy savings realized during FY94, and employee benefit adjustments.
Inflation/Deflation & Fixed Costs - Net operating expenses increase by $19,187 in FY96 and $26,311 in FY97 as a result of inflation/deflation and fixed costs adjustments.
Rent - Non-State Buildings - Lease expenses for the forensic laboratory in Missoula will decrease by about $51,500 each year due to the pay off of the amortized lab renovation portion of the lease.
Equipment - The net increase for equipment replacement is recommended at $16,619 in FY96 and $14,219 in FY97. The $51,500 per year in lease expense savings is planned to be redirected toward the leasehold improvements in the form of an upgrade to the laboratory heating, ventilation, and air conditioning system. However, this will be considered in concert with the Long-Range Building Program recommendation to construct a law enforcement complex, which was initiated after voters in Gallatin County defeated the Law Enforcement Academy bond issue on November 8, 1994. The upgrade to the current lab facility is necessary to maintain the useful life of sensitive equipment and compressors and the lessor has no plans to initiate or support this project.
Debt Service - The installment purchase of a photocopier will be paid off prior to FY96.

New Proposals

Personal Services Reduction - Total personal services are reduced by $48,281 in FY96 and $48,703 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan.

Alcoholism Treatment Fund Switch - A funding switch from the alcoholism treatment state special revenue account to the general fund is recommended in the amount of about $255,500 per year. The remainder of the total annual decrease of $265,295 is allocated to the personal services reduction proposal. These funds have been used for general support of the program related to alcohol/DUI testing and analysis. The proposed switch will allow the alcohol treatment funds to be directed toward chemical dependency treatment programs and provide for more uniform funding of this program.

New Equipment - There is $9,300 in FY96 and $2,170 in FY97 recommended for new laboratory equipment.

Legislative Contract Authority - Federal spending authority of $40,000 per year recommended to allow the program to expend additional federal funds that may become available in a timely and efficient manner. General appropriations act language is recommended to accompany this authority: "The legislature intends that the appropriation for legislative contract authority provide adequate spending authority to enable faster and more cost-effective startup of services otherwise initiated by budget amendment. Prior to authorizing use of the appropriation, the office of budget and program planning must require the usual and necessary contract justification. A legislative contract authority appropriation must be accounted for and reported separately from all other appropriations. In the event that the amount of the department's additional federal contracts exceeds its legislative contract authority, additional spending authority must be established in accordance with the provisions of the budget amendment law in Title 17, Chapter 7, part 4, MCA."

Contingency Language - The Legislative Finance Committee recommended that several statutory appropriations be eliminated pursuant to its SB378 study. Among these is the statutory appropriation to the Department of Justice for up to $50,000 per year in general fund for the purchase and maintenance of DUI intoxilizers used to analyze breath for the presence of alcohol. The statutory appropriation comes from the portion of one-half of drivers' license reinstatement fees not distributed to county DUI prevention programs. In the event that the statutory appropriation is eliminated, the department requests contingency language be inserted in the general appropriations act. The proposed language may be similar to the following:
"If House Bill (LC0200) is passed and approved in a form that eliminates the statutory appropriation for DUI intoxilizers, the general fund appropriation in item xx is increased by $50,000 in fiscal 1996 and $50,000 in fiscal 1997."

Funding

Funding is primarily from the general fund. A federal grant from the Montana Board of Crime Control funds a chemist position. Other federal grant funds provide support as they become available.

MISSION STATEMENT: To encourage the study and presentation of the arts in Montana and to stimulate public interest and participation.

5114-01 PROMOTION OF THE ARTS

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	9.97	.03	1.00	11.00	.03	1.00	11.00
Personal Services	298,376	13,835	26,887	339,098	15,883	26,979	341,238
Operating Expenses	193,673	-12,820	4,580	185,433	-28,385	4,488	169,776
Equipment	3,388	-1,088	0	2,300	-3,388	0	0
Grants	369,049	-64,996	0	304,053	-66,624	0	302,425
Total Agency Costs	**864,486**	**$-65,069**	**$31,467**	**$830,884**	**$-82,514**	**$31,467**	**$813,439**
General Fund	122,838	4,015	85,460	212,313	-14,192	85,460	194,106
State Special Revenue Fund	153,086	13,637	-60,719	106,004	14,397	-60,719	106,764
Federal Special Revenue Fund	588,562	-82,721	6,726	512,567	-82,719	6,726	512,569
Total Funding Costs	**864,486**	**$-65,069**	**$31,467**	**$830,884**	**$-82,514**	**$31,467**	**$813,439**

Present Law Mandates

The Montana Arts Council was established as a state agency in 1967. The council consists of 15 members who are appointed by the Governor, confirmed by the Senate, and serve a five-year term. Council members are responsible for the governance, management and control of the agency. The council's duties are to: 1) encourage the study and presentation of the arts throughout the state; 2) stimulate public interest and participate in the arts; 3) cooperate with public and private institutions engaged in cultural and aesthetic activities; 4) foster public interest in the cultural heritage of Montana and expand the state's cultural resources, and; 5) encourage and assist freedom of artistic expression.

The National Endowment for the Arts (NEA) provides funds to designated state arts agencies which meet the requirements of the NEA's enabling legislation as set forth in Section 954 NEA. Each applicant to the state and regional program must: 1) meet certain legal requirements; 2) have its own board, council, or commission, and; 3) have submitted acceptable final report packages for all completed grants. In addition all NEA grants must be matched on a dollar-for-dollar basis. Finally, recipients of federal assistance are required to comply with applicable federal statutes, regulations, and agency policies and procedures.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity, upgrade of an accounting tech position, per diem increase, and other payroll rates. An additional 0.03 FTE clerical support for the Artists Services Program is recommended to increase the position to a 0.50 FTE. An FTE less than 0.50 is not budgeted for a state-share of insurance.
Inflation/Deflation & Fixed Costs - Operating expenses increase by $ 5,120 in FY96 and $3,893 in

FY97 as a result of inflation/deflation and fixed costs.

Operating Expenses - A 3/4 time contract with the Montana Arts Council is deleted for a reduction of $19,938 each year. Under new proposals, the contract is recommended to be replaced with a new 1.00 FTE.

Equipment - Replacement equipment is recommended for the fiscal officer. The funds will be utilized to purchase a 486 PC replacing a pre-286 system and increase effectiveness of the position. The $800 increase in equipment from the 1995 biennium is included in the recommendation of $2,300 in FY96.

Grants - General fund grants to local agencies are anticipated to decrease $4,875 each year and federal grants decrease $68,739 in FY96 and $70,367 in FY97.

New Proposals

Rural Arts Program Funding Switch - NEA and cultural trust have funded this program for three years and are anticipated to eliminate funding at the end of the 1995 biennium. The impact of a funding switch from federal and state special revenue to general fund is $49,482 each year of the 1997 biennium. The trust earnings are projected to be 52% less than current level (a reduction from $1.3 million to $620,000 available for grants).

Folklife Program Funding Switch - General fund support for the Folklife Program is recommended in place of the Montana cultural trust due to declining earnings. In addition, the cultural trust was created to fund capitol artwork restoration and other local cultural and aesthetic projects around the state, not state agency programs. The recommendation is a funding switch of $35,978 to general fund each year of the 1997 biennium.

Public Information Contract - There is currently a 3/4 time contract with the Montana Arts Council to provide artists and the Montana cultural community with the ArtistSearch newsletter, press releases, specialized publications, and a variety of agency reports. Demand for this service is full time and would no longer be a contractual relationship but an additional 1.00 FTE at a cost of $31,467 federal funds each year of the biennium and a net increase of approximately $12,000 per year.

Funding

General fund supports 25% of the budget, including $31,120 each year for grants to local communities and arts in education. State special revenue is a total of the following: $35,000 for Artist in the Schools Program and approximately $71,000 each year for administration and advisory council costs from the project trust fund interest. Federal funds are from the NEA and comprise 62% of the executive budget.

Montana State Library

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	28.50	.00	.00	28.50	.00	.00	28.50
Personal Services	851,033	42,135	-44,289	848,879	45,860	-44,622	852,271
Operating Expenses	585,017	113,821	125,102	823,940	88,128	125,102	798,247
Equipment	142,998	10,942	103,456	257,396	-2,940	117,456	257,514
Capital Outlay	7,962	-7,962	0	0	-7,962	0	0
Grants	687,533	1,103,822	100,000	1,891,355	-312,532	100,000	475,001
Transfers	0	850,000	0	850,000	0	0	0
Debt Service	1,818	-1,818	0	0	-1,818	0	0
Total Agency Costs	**2,276,361**	**$2,110,940**	**$284,269**	**$4,671,570**	**$-191,264**	**$297,936**	**$2,383,033**
General Fund	1,131,030	242,535	170,339	1,543,904	-11,911	185,061	1,304,180
State Special Revenue Fund	533,062	458,090	64,969	1,056,121	20,332	63,914	617,308
Federal Special Revenue Fund	612,269	1,410,315	48,961	2,071,545	-199,685	48,961	461,545
Total Funding Costs	**2,276,361**	**$2,110,940**	**$284,269**	**$4,671,570**	**$-191,264**	**$297,936**	**$2,383,033**
State Library Operations	1,896,241	1,220,709	123,159	3,240,109	-223,953	137,881	1,810,169
Natural Resource Info Services	380,120	890,231	161,110	1,431,461	32,689	160,055	572,864
Total Program Costs	**2,276,361**	**$2,110,940**	**$284,269**	**$4,671,570**	**$-191,264**	**$297,936**	**$2,383,033**

MISSION STATEMENT: Montana State Library is an agency whose primary goal is to provide maximum access by the most efficient and effective means, to information for all Montanans. This access may be provided directly by the agency, or by increased and improved access for other information sources. In seeking this vision agency staff will focus our resources to deliver the best services possible. We will work in partnership with others when this is the best means of providing needed services. We will explore, promote and advocate innovations in ourselves and others. We will assist local libraries and other information providers by facilitating access to and skills in the effective use of new information technology.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	24.50	.00	.00	24.50	.00	.00	24.50
Personal Services	703,248	44,745	-37,030	710,963	47,835	-37,308	713,775
Operating Expenses	361,959	80,203	26,461	468,623	54,187	26,461	442,607
Equipment	133,787	1,653	33,728	169,168	-3,729	48,728	178,786
Capital Outlay	7,962	-7,962	0	0	-7,962	0	0
Grants	687,533	1,103,822	100,000	1,891,355	-312,532	100,000	475,001
Debt Service	1,752	-1,752	0	0	-1,752	0	0
Total Agency Costs	1,896,241	$1,220,709	$123,159	$3,240,109	$-223,953	$137,881	$1,810,169
General Fund	1,131,030	242,535	96,698	1,470,263	-11,911	111,420	1,230,539
State Special Revenue Fund	175,542	17,759	0	193,301	-12,457	0	163,085
Federal Special Revenue Fund	589,669	960,415	26,461	1,576,545	-199,585	26,461	416,545
Total Funding Costs	1,896,241	$1,220,709	$123,159	$3,240,109	$-223,953	$137,881	$1,810,169

Present Law Mandates

It is the purpose of 22-1-412 and 22-1-413, MCA, to establish a program whereby state funds may be appropriated to the Montana State Library Commission to provide the benefits of quality public library service to all residents of Montana by developing and strengthening local public libraries through library federations as defined in 22-1-402, MCA. Statutes further state that the Montana State Library Commission shall receive and administer the appropriation for state funding to public library federations; and the commission shall allocate such appropriation among such types of grant programs and shall allocate funds among federations according to such formulas for distribution as it shall establish from time to time by rules adopted pursuant to 22-1-103, MCA. Federations receiving state funds from the commission shall report semiannually to the commission concerning the progress of the various projects for which state funding was received, which reports shall contain an accounting for all state funds received.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity, downgrade of the library development manager position, and other payroll rates.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $46,821 in FY96 and $36,624 in FY97 as a result of inflation/deflation and fixed costs.

Operating Expenses - Consultant and professional services are reduced $2,000 for one-time contracts. Contracts with non-profits increase due to the InfoTrac subscription that provides instant access to the business and academic indexes and articles needed to serve state government and libraries in their information requests. Cost of the subscription is $18,000 each year. Data network services increase due to the additional demand to provide information in electronic formats. The general fund cost of connecting eight staff members to the network is $7,280 in FY96 and $10,376 in FY97 and will allow a significant increase in efficiency. A biennial appropriation of $25,000 is established from funds received from bequests and donations to be used to enhance services to the blind and handicapped throughout library operations.

Equipment - The library book budget reflects an average increase of 4% per year or $6,901 in FY96 and $11,519 in FY97. In addition the library proposes to replace 12 computers at a general fund cost of $20,000 in FY96 and $10,000 in FY97.

Grants - Grants include general fund, coal severance tax and federal grants to libraries. These grants

increase by $1.1 million from FY94 to FY96: 1) federal funds of $1,160,000 and general fund of $251,138 granted to local libraries are included in FY96 only as a biennial appropriation compared to the $323,911 actually spent in FY94 and; 2) coal tax grants are expected to increase by $7,301 in FY96 and $2,085 in FY97.
Debt Service - Reduction of $1,782 each year of the biennium is due to completion of postage machine payments.

New Proposals
Personal Services Reductions - The state library operations general fund personal services reductions are $37,030 in FY96 and $37,308 in FY97 for its share of funding the proposed pay plan.

Library Automation Systems - The Montana State Library (MSL) must make information of all types easily and readily accessible to libraries, government agencies, business and industry, and private citizens. Building on an existing local area network, the MSL intends to develop further a library automation system and automated clearinghouse accessible via the state computer network, Internet, and dial-in modems. General fund cost is $33,728 in FY96 and $48,728 in FY97. The purchase of the automation system will be on a five year installment agreement with Norwest Investment Services which has the master finance agreement with Montana.

Interlibrary Loan Increase - Since July 1, 1989 following the passage of HB193 (22-1-326, 328, and 330, MCA), the state has reimbursed "public libraries, libraries operated by public schools or school districts, public colleges or universities, public agencies for institutionalized persons, and nonprofit private educational or research institutions for loans". Since the number of transactions has grown steadily each year, while the available funding has remained static, the level of reimbursement has diminished per transaction. A general fund increase of $100,000 each year will expand the funding available for reimbursement to libraries for these loans.

State Literacy Resource Center - This grant was established and authorized in FY94 as a budget amendment to (1) stimulate to coordination of literacy services, (2) enhance services, and (3) serve as a reciprocal link between the National Institute for Literacy and service providers for the purpose of sharing information, data, research, expertise and literacy resources. The center will continue with federal grant of $26,461 each year of the 1997 biennium.

Funding
General fund is approximately 64% of the library operations budget, less grants and new proposals. In addition, there is a biennial appropriation of $251,138 for per capita/per square mile grants to local libraries.. $83,000 is a base grant to library federations and interlibrary loan program of $200,000 each year, and the new proposal adding $100,000 each year for loan expansion.

State special revenue includes coal tax revenue of $166,301 in FY96 and $161,085 in FY97, earmarked for the Library Commission under section 15-35-108, MCA. Language in the appropriations bill states: " If the coal tax available for grants is greater than the appropriation, the additional funds are appropriated by language for pass-through to the library federations." Miscellaneous donations are approximately $2,000 each year.

Federal revenue is Library Services and Construction Act (LSCA) funds of $390,084 each year of the biennium for library operations and a biennial appropriation of $1,160,000 for grants to local libraries.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	4.00	.00	.00	4.00	.00	.00	4.00
Personal Services	147,785	-2,610	-7,259	137,916	-1,975	-7,314	138,496
Operating Expenses	223,058	33,618	98,641	355,317	33,941	98,641	355,640
Equipment	9,211	9,289	69,728	88,228	789	68,728	78,728
Transfers	0	850,000	0	850,000	0	0	0
Debt Service	66	-66	0	0	-66	0	0
Total Agency Costs	**380,120**	**$890,231**	**$161,110**	**$1,431,461**	**$32,689**	**$160,055**	**$572,864**
General Fund	0	0	73,641	73,641	0	73,641	73,641
State Special Revenue Fund	357,520	440,331	64,969	862,820	32,789	63,914	454,223
Federal Special Revenue Fund	22,600	449,900	22,500	495,000	-100	22,500	45,000
Total Funding Costs	**380,120**	**$890,231**	**$161,110**	**$1,431,461**	**$32,689**	**$160,055**	**$572,864**

Present Law Mandates

The Natural Resource Information System (NRIS) including the Natural Heritage Program is mandated by state statute. In addition, the heritage program has federal obligations under the federal Endangered Species Act. The heritage program is to be designed to be compatible with similar programs in other states and is to be an initial step in the formulation of the comprehensive natural resource information system referred to in 90-15-301, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity, upgrade of 0.32 FTE program analyst position, and other payroll rates.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $16,549 FY96 and $16,894 FY97 as a result of inflation/deflation and fixed costs.

Operating Expenses - The NRIS contract with the Nature Conservancy to operate the Montana Natural Heritage Program, as mandated in 90-15-302, MCA, increases $9,900 each year to ensure continued delivery of timely responses and information to program patrons. Also, demands have increased 20% per year over the last three years. The Geographic Information System (GIS) provides vital services to patrons and must be continually maintained at an increased cost of $6,240 each year. Maintenance on the GIS equipment which is approximately $37,440 a biennium, is approximately 33% of the GIS core.

Postage & Mailing - The State Library Commission has switched mailing procedures to central mail and NRIS is now sharing postage costs of approximately $900 each year which have not been funded in the past.

Equipment - Recommended NRIS equipment is for the replacement of nine computers and upgrade memory for five computers. In addition, the eight NRIS machines not currently on the local area network will be added. Total increased cost is $18,500 in FY96 and $10,000 in FY97, funded with resource indemnity trust revenues.

Transfers - Legislative Contract Authority (LCA) of $850,000 as a FY 94 biennial appropriation is recommended. Language governing the appropriation is recommended to be included again in the agency narrative: "The biennial appropriation for legislative contract authority of $850,000 included in item is subject to the following provisions: (1) Legislative contract authority may be used for state special, federal special and private funds; (2) Legislative contract authority expenditures must be reported on state accounting records. The records must be separate from current level operations,

and; (3) A report must be submitted by the Montana state library commission to the legislative fiscal analyst following the end of each fiscal year of the biennium. The report must include a listing of projects with the related amount of expenditures for each project." The recommended language is consistent with that adopted for the Department of Fish, Wildlife and Parks and rectifies this problem. The program has been unable to provide information for agencies funded with state dollars because the language in the 1995 biennium did not include state special revenue.

New Proposals

Personal Services Reductions - NRIS personal services reduction is $7,259 in FY96 and $7,314 in FY97 to meet the target for funding the proposed 1997 biennium pay plan.

Information Clearinghouse - Through the Natural Resource Information System (NRIS) the library operates an information clearinghouse and referral service to link patrons with the best sources of natural resource information. The clearinghouse would be expanded to include descriptions and locations of various data around the state and nation and address a significant portion of needs at a cost of $69,728 in FY96 and $68,728 in FY97, funded with resource indemnity trust revenue. The purchase of the automation system will be on a five year installment agreement with Norwest Investment Services which has the master finance agreement with the State of Montana.

State Lands Increase - This increase of funds from the Department of State Lands (DSL) will be used by the Natural Heritage Program to assist in development of the Designated Lands Unsuitable (DLU) database which supports DSL review of mine permits and monitoring. The additional funds will also allow for technical support for DSL GIS staff, inventory and document GIS databases, and use of GIS for risk assessments, habitat modeling, landscape analysis, and other analysis related to the Montana Heritage Programs DLU. The increase is state special revenue of $2,500 and federal revenue of $22,500 each year of the biennium.

Workload Increase - A performance-based budgeting (PBB) pilot project initiative for the 1997 biennium was endorsed by the 53rd Legislature in the general appropriations act which contained language encouraging the Governor to foster development of a mission-driven, results-oriented budget system to enhance flexibility and improve decision-making information available to the legislature in the 1995 session. This recommendation is an increase of $73,641 general fund each year to reflect the program workload. (see PBB narrative)

Funding

The library and each principal data source agency may apply for and may receive funding from private and public sources for the purposes of the Natural Resource Information System (NRIS).

The Natural Resource Information Services Program is one of three state programs participating in a performance-based budgeting (PBB) pilot project (refer to the discussion of the PBB pilot contained in the front budget parameters section of the executive budget). The executive recommends the following general appropriations act language:

> "The appropriation provided for the natural resource information services program is contingent upon funds being used to attempt to achieve program performance targets as outlined in the executive budget for the 1997 biennium. The library shall provide semiannual reports to the office of budget and program planning and the office of the legislative fiscal analyst on progress towards achievement of these performance targets with explanations for

any significant variances."

The proposed program goals and associated performance targets are as follows:

GOAL 1: Operate Natural Resource Information Clearinghouse

$1,267,951 Program Core Authority
$ 369,647 Legislative Contract Authority

The primary goal of the Natural Resource Information System (NRIS) is to operate a clearinghouse for natural resource information. NRIS does this through the acquisition, storage, and dissemination of natural resource information. The clearinghouse helps make critical information easily and readily available to all of Montana's citizens in a timely and cost-effective manner.

Performance Measure/Target: **INVENTORY DATA**
Program Core Authority: $214,617 Legislative Contract Authority: $22,359

Through the Natural Heritage Program (NHP), the Water Information System (WIS), and the Geographic Information System (GIS), inventory existing natural resource information.

Explanation: NRIS will inventory data by identifying new data as it becomes available; verify that existing data are inventoried; contact at least 50 GIS users in Montana and document geographic data holdings; revise the existing geographic data inventory system to meet federal geographic metadata standards and convert existing inventory of geographic data to federal geographic metadata standards.; review statewide digital basemap layer needs annually; and publicize results of data inventory to at least 1000 data users yearly and continually on the Internet.

Performance Measure/Target: **INFORMATION DISSEMINATION**
Program Core Authority: $782,387 Legislative Contract Authority: $261,308

Through the NHP, WIS and GIS programs, manage a timely, cost-effective clearinghouse and referral service to link users with the best sources of natural resource information.

Explanation: NRIS will fill a minimum of 1000 basic information requests per year through the GIS, WIS and NHP programs. In addition, NRIS will fill approximately 500 contract-supported information requests and products per year. To help fill information requests, NRIS will specify, obtain, install and maintain a network computer server to store and provide access to natural resource information via the state Summitnet and the Internet computer networks. In addition, NRIS will identify and establish access to at least four new sources of data per year; produce and distribute drought monitoring maps for February through August each year; provide a centralized repository for data on sensitive, threatened and endangered species and biologically significant areas in the state, serving all state and federal natural resource-related agencies, the university system, and the private sector; and promote the clearinghouse activities to at least 1000 data users yearly and continually on the Internet.

Performance Measure/Target: **IDENTIFY DATA GAPS**
Program Core Authority: $121,701 Legislative Contract Authority: $35,423

Through the NHP, WIS and GIS programs, identify gaps in natural resource information.

Explanation: NRIS reviews data availability for every information request and records any data gaps. NRIS will add 400 new species occurrence records, 800 abstracted bibliographies, 1,000 species taxonomic records, and 350 plant characterization abstracts to the databases; conduct 25

comprehensive Heritage field surveys and publish reports summarizing results; work with state and federal natural resource agencies to determine 15 biological data priorities which could be developed/managed. In addition, NRIS will assess GIS data coverages to identify gaps and progress made filling gaps and facilitate at least six meetings on data coordination and sharing that identify data gaps.

Performance Measure/Target: **FILL DATA GAPS**
Program Core Authority $149,246 Legislative Contract Authority: $50,557

Through the NHP, WIS and GIS programs, and cooperation with other entities, assist in filling natural resource information gaps.

Explanation: NRIS will enter into at least four projects (contracts) to help fill data gaps; actively seek and locate new sources of information to help fill data gaps.; develop, manage and make available ten data sets based on identified priorities above (Identify Data Gaps); develop a plan for completing two statewide basemap layers; facilitate two statewide cooperative database development projects; update four statewide water information GIS coverages annually; and coordinate at least two meetings annually with major information sources to help focus resources toward filling known gaps.

GOAL 2: Support Interagency Data Coordination
$214,957 Program Core Authority
$ 58,694 Legislative Contract Authority
In order to effectively operate the clearinghouse and provide accurate data, NRIS coordinates and promotes the program among all public agencies. Interagency coordination and the development of data standards help ensure the accuracy and quality of the data; help avoid the duplication of data creation and distribution; help ensure that critical data sets are created; and promote the sharing of resources and information.

Performance Measure/Target: **INTERAGENCY COORDINATION**
Program Core Authority: $122,468 Legislative Contract Authority: $23,656

Serve as liaison and coordinate among agencies that collect, manage or use the same types of natural resource information to prevent duplication of effort and promote information sharing.

Explanation: NRIS will provide support to natural resource coordinating bodies such as the Interagency GIS Technical Working Group, the Interagency Natural Areas Working Group, the Interagency Water Coordinating Group, the Interagency Ecosystem Management Working Group, etc. Whenever feasible, NRIS will help coordinate projects to create or improve information. NRIS will continue to populate the Natural Areas data base, and coordinate information from all signatories to the Natural Areas MOU; help coordinate projects to create or improve information; facilitate at least six meetings on data coordination and sharing; and promote data efforts by: assisting in the publication of four GIS newsletters; making at least 12 public presentations on natural resource information topics; facilitate at least six meetings on data coordination and sharing; and attend, monitor, and brief natural resource coordinating bodies. In addition, NRIS will perform an inventory of active information creation projects in Montana and publicize the results and facilitate the use of Internet and the state communication network for coordinating information activities.

Performance Measure/Target: **STANDARDS**
Program Core Authority: $92,489 Legislative Contract Authority: $35,038

Through the NHP, WIS, and the GIS programs, assist in the development of standards for the collection of natural resource information.

Explanation: NRIS will assist the development of data collection and documentation standards for State, federal, and local government agencies, and, in particular, will review the Montana State GIS standards and revise them to adhere to federal standards; and review and implement federal geographic metadata standards and review federal spatial data transfer standards (SDTS). NRIS will inventory and make available information collection and documentation standards; standardize species data collection formats for sensitive plants and animals and natural communities.; establish inventory, monitoring and biodiversity assessment standards.; and develop biological community classification system for Montana.

GOAL 3: Provide User Support

$173,103 Program Core Authority

$ 38,344 Legislative Contract Authority

Besides ensuring natural resource information is available, NRIS has a goal to help users make the best use of the information by providing technical assistance, consulting, and development of information analysis and interpretation tools. This assistance and the tools help customers effectively use the information. Without the tools to analyze and interpret information, data has less value.

Performance Measure/Target: **PROVIDE TECHNICAL ASSISTANCE**

Program Core Authority: $73,892 Legislative Contract Authority: $6,898

Through the NHP, WIS and the GIS, provide technical assistance and consultation to state agencies and other NRIS data patrons.

Explanation: NRIS consults with state agencies and local government on information systems needs assessments, database design, information management tools design and development, and pilot project development as requested; and specifically supports state agency libraries by: participating in the State Agency Librarians Roundtable, providing basic WLN training, and other support as requested.

Performance Measure/Target: **CREATE TOOLS**

Program Core Authority: $99,211 Legislative Contract Authority: $31,446

When appropriate, develop and make available the tools for the access and use of natural resource information.

Explanation: During the biennium, NRIS will develop and implement on-line natural resource information search tools; develop an upgraded system for providing on-line access to Natural Heritage Program data used by USFS personnel; publish and distribute three references/guides on Montana species; utilize Internet and other bulletin board service (BBS) software to provide access to critical natural resource information; and identify and evaluate easy-to-use commercial, off-the-shelf software packages to support natural resource information users.

Montana Historical Society

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	48.38	-.25	2.50	50.63	-.25	2.50	50.63
Personal Services	1,467,443	13,707	21,413	1,502,563	18,765	21,427	1,507,635
Operating Expenses	828,454	90,027	63,400	981,881	75,284	53,400	957,138
Equipment	37,213	6,529	2,000	45,742	529	2,000	39,742
Grants	141,289	108,711	0	250,000	108,711	0	250,000
Transfers	51,329	770	0	52,099	770	0	52,099
Debt Service	577	-577	0	0	-577	0	0
Total Agency Costs	**2,526,305**	**$219,167**	**$86,813**	**$2,832,285**	**$203,482**	**$76,827**	**$2,806,614**
General Fund	1,343,285	43,963	-59,331	1,327,917	29,636	-59,397	1,313,524
State Special Revenue Fund	90,071	4,106	12,722	106,899	4,600	12,602	107,273
Federal Special Revenue Fund	502,380	110,131	45,374	657,885	107,992	35,462	645,834
Proprietary Fund	590,569	60,967	88,048	739,584	61,254	88,160	739,983
Total Funding Costs	**2,526,305**	**$219,167**	**$86,813**	**$2,832,285**	**$203,482**	**$76,827**	**$2,806,614**
Administration Program	678,066	38,373	-21,439	695,000	24,477	-21,505	681,038
Library Program	477,871	26,435	-8,353	495,953	27,542	-8,431	496,982
Museum Program	246,508	-335	3,085	249,258	-857	3,043	248,694
Publications	602,859	51,459	80,465	734,783	51,353	70,583	724,795
Historical Sites Preservation	521,001	103,235	33,055	657,291	100,967	33,137	655,105
Total Program Costs	**2,526,305**	**$219,167**	**$86,813**	**$2,832,285**	**$203,482**	**$76,827**	**$2,806,614**

MISSION STATEMENT: To acquire, conserve, advocate the protection of, provide broad access to, and interpret Montana's varied historical resources: thus promoting--for its citizens and for all others--the use, understanding, appreciation, and enjoyment of those resources.

5117-01 ADMINISTRATION PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	13.25	-.25	-.75	12.25	-.25	-.75	12.25
Personal Services	382,937	6,377	-21,439	367,875	7,507	-21,505	368,939
Operating Expenses	295,129	30,996	0	326,125	16,970	0	312,099
Equipment	0	1,000	0	1,000	0	0	0
Total Agency Costs	678,066	$38,373	$-21,439	$695,000	$24,477	$-21,505	$681,038
General Fund	562,134	30,219	-26,358	565,995	15,700	-26,310	551,524
State Special Revenue Fund	74,482	4,607	5,436	84,525	5,101	5,316	84,899
Federal Special Revenue Fund	41,450	3,547	-517	44,480	3,676	-511	44,615
Total Funding Costs	678,066	$38,373	$-21,439	$695,000	$24,477	$-21,505	$681,038

Present Law Mandates

The Montana Historical Society is required by state law to operate an Administration Program.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity, upgrade of 2.50 FTE positions, and other payroll rates. A 0.50 FTE accountant position, which had been created from a portion of the eliminated deputy director position during the regular 1993 legislative session, was reduced by 0.25 FTE in the 1993 special session.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $27,205 in FY96 and $13,179 in FY97 as a result of inflation/deflation and fixed costs.

Operating Expenses - The Governor has appointed two new board members to the Historical Society Board of Trustees. A general fund increase of $2,370 each year in per diem is necessary due to the distance and resulting airline flights and number of days required to travel.

Equipment - Replacement of a security paging amplifier is recommended for the program. The amplifier powers all speakers on the intercom throughout the historical society building and is an important part of the security function. General fund cost is $1,000 in FY96.

New Proposals

Personal Services Reductions - A publicity specialist, custodian and an administrative officer/signs coordinator are recommended to be reduced. The state special funding impact of the 0.75 FTE reduction is $17,126 in FY96 and $17,248 in FY97. The remainder is the vacancy savings target from general and federal funds of $4,313 in FY96 and $4,257 in FY97.

Tour Program Funding Switch - Legislation is proposed to increase the Montana Historical Society share of the accommodations tax from 1% to 1.75%. One outcome of passage and approval would enable switching from general fund the tour program at the Capitol and increasing accommodations tax funding by $22,564 each year of the 1997 biennium.

Funding

Approximately 81% of the Administration Program is funded with general fund. Proposed legislation will increase the percentage of the state accommodations tax allocated to the historical society to be used for historic exhibits and for tour guides. State special revenues are from donations and accommodations tax. Federal funds reflect indirect costs of administering the National Park Service

federal programs.

5117-02 LIBRARY PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	13.75	.00	.00	13.75	.00	.00	13.75
Personal Services	397,071	19,992	-20,853	396,210	21,553	-20,931	397,693
Operating Expenses	62,089	6,654	10,500	79,243	6,900	10,500	79,489
Equipment	18,711	-211	2,000	20,500	-911	2,000	19,800
Total Agency Costs	**477,871**	**$26,435**	**$-8,353**	**$495,953**	**$27,542**	**$-8,431**	**$496,982**
General Fund	438,453	16,681	-13,036	442,098	17,377	-13,108	442,722
State Special Revenue Fund	4,497	-497	0	4,000	-497	0	4,000
Proprietary Fund	34,921	10,251	4,683	49,855	10,662	4,677	50,260
Total Funding Costs	**477,871**	**$26,435**	**$-8,353**	**$495,953**	**$27,542**	**$-8,431**	**$496,982**

Present Law Mandates

The historical society is required by state law to operate the Library Program in accordance with 22-3-103, MCA, which states in part, "(1) There is a historical library, to be maintained and operated by the Montana historical society."

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity and other payroll rates.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $1,779 FY96 and $2,025 FY97 as a result of inflation/deflation and fixed costs.

Operating Expenses - Maintenance contracts increase $4,734 each year to provide coverage for computers, software and microfilm readers. This general fund increase reflects three microcomputers and two laser-printers no longer under warranty.

Equipment - Recommended office equipment includes the replacement and acquisition of books concerning Montana. The library will also be able to purchase currently-published and out-of-print books appropriate to the Teakle Range Life Collection from an endowment trust fund established for that purpose. Office equipment proposed include: file cabinets, shelving, audiotape storage cabinets, and CD-ROM drives. Funding the recommendation is proprietary revenue of $3,200 in FY96 and $3,500 in FY97 and $10,300 in FY 97 and general fund of $11,300 in FY96 and $10,300 in FY97; and state special revenue of $4,000 each year.

New Proposals

Personal Services Reductions - Recommended personal services reduction for the Library Program is primarily general fund of $20,853 in FY96 and $20,931 in FY97 to pay for the proposed pay plan.

Microfilming Archives - Presently archives has a backlog of over 1,000 cubic feet of material which could be filmed and shelf space recaptured. Additional funds are recommended to provide for systematic microfilming of manuscript and older state records material. General fund cost is $5,000 each year of the 1997 biennium.

Archival Photos & Copier - This recommendation will provide spending authority needed to purchase

archival-quality photograph storage supplies which would ensure the proper preservation of an additional 5,000 photographs annually. Additionally, a leased copier is needed to replace the current owned one. Revenues from the photocopies will cover the lease cost. Proprietary fund authority is $5,500 each year of the 1997 biennium.

Binding/Rebinding - This activity is coded in equipment but is an ongoing operating expense as the means of preserving magazines and extending the life of heavily-used or damaged books. The recommendation will permit binding/rebinding of 250 volumes a year at a general fund cost of $2,000 each year of the 1997 biennium.

Funding

Approximately 89% of the Library Program is funded with general fund. State special revenue includes Teakle trust funds earmarked for the acquisition of specialized books. Proprietary funds are 10% of the budget and are from the sale of photographs and photocopies of documents.

5117-03 MUSEUM PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	6.50	.00	.00	6.50	.00	.00	6.50
Personal Services	198,710	-2,416	-9,815	186,479	-1,578	-9,857	187,275
Operating Expenses	46,358	1,421	12,900	60,679	2,161	12,900	61,419
Equipment	1,440	660	0	2,100	-1,440	0	0
Total Agency Costs	**246,508**	**$-335**	**$3,085**	**$249,258**	**$-857**	**$3,043**	**$248,694**
General Fund	231,298	-358	-17,101	213,839	-862	-17,143	213,293
State Special Revenue Fund	11,092	-4	7,286	18,374	-4	7,286	18,374
Proprietary Fund	4,118	27	12,900	17,045	9	12,900	17,027
Total Funding Costs	**246,508**	**$-335**	**$3,085**	**$249,258**	**$-857**	**$3,043**	**$248,694**

Present Law Mandates

The Montana Historical Society is required by state law to operate the Museum Program in accordance with 22-3-103 (2), MCA, which states, "The historical library and any historical museum administered by the society in accordance with the provisions of this part shall be independent of any other library, museum, or gallery owned, maintained, or operated by the state of Montana."

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity and other payroll rates.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $1,220 in FY96 and $1,328 in FY97 as a result of inflation/deflation and fixed costs.

Equipment - This recommendation is for the installation of a computer to be used specifically for museum collection records which will increase efficiency and decrease response time to public inquiries. General fund cost in FY96 is $2,100.

New Proposals

Personal Services Reductions - General fund personal services reduction for the Museum Program is $9,815 in FY96 and $9,857 in FY97 for the recommended pay plan.

Governor's Mansion Tour Program - Legislation is proposed to increase the Montana Historical Society share of the accommodations tax from 1% to 1.75%. Passage and approval would enable funding the tour program at the Original Governor's Mansion with an increase in accommodations tax funding of $7,286 each year of the 1997 biennium.

Exhibit Schedule Restoration - Spending authority is recommended to provide additional rotating and traveling exhibits which will increase appeal to visitors and tourists. Proprietary fund cost is $11,000 each year of the 1997 biennium.

Photocopier Rental - The museum maintains and distributes photographs of the museum collections and provides reproduction services to individuals, cultural organizations, scholars, and the general public. The recommendation provides the proprietary fund authority to lease a copier at a cost of $1,900 each year of the 1997 biennium.

Funding

The Museum Program is funded 86% funded with general fund. State special revenue includes donations and proposed accommodations tax revenue to fund tour guides at the Old Governor's Mansion. Proprietary funds of approximately $17,000 each year are from the sale of copies of photographs of the collections and rental of traveling exhibits out of state.

5117-04 PUBLICATIONS

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	7.38	.00	1.75	9.13	.00	1.75	9.13
Personal Services	202,654	11,619	40,465	254,738	12,251	40,583	255,488
Operating Expenses	346,799	38,947	40,000	425,746	40,409	30,000	417,208
Equipment	1,500	700	0	2,200	-1,500	0	0
Transfers	51,329	770	0	52,099	770	0	52,099
Debt Service	577	-577	0	0	-577	0	0
Total Agency Costs	**602,859**	**$51,459**	**$80,465**	**$734,783**	**$51,353**	**$70,583**	**$724,795**
General Fund	51,329	770	0	52,099	770	0	52,099
Federal Special Revenue Fund	0	0	10,000	10,000	0	0	0
Proprietary Fund	551,530	50,689	70,465	672,684	50,583	70,583	672,696
Total Funding Costs	**602,859**	**$51,459**	**$80,465**	**$734,783**	**$51,353**	**$70,583**	**$724,795**

Present Law Mandates

The Montana Historical Society is required by state law to operate the Publications Program in accordance with 22-3-107, MCA, which states in part, "(14) to collect and preserve books, maps, manuscripts, and other materials as will tend to facilitate historical, scientific, and antiquarian research; (15) to promote the study of Montana history by lectures and publications; (16) to publish a roadside history of Montana, with maps, photographs and text that will enable tourists, citizens, and students to understand the history of the countryside seen from the state's main roads."

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity, an upgrade of 1.50 FTE events/promotion specialist and administrative support positions, and other payroll rates.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $4,946 in FY96 and $5,006 in FY97 as a result of inflation/deflation and fixed costs.

Operating Expenses - Contract costs increase for subscription, photographic and mailing services. Annual maintenance contracts increase for all office equipment and those no longer on warranty. Additional authority is necessary to increase printing costs for magazine promotions. All of the operating recommendations are an increase to proprietary funds of $34,001 in FY96 and $35,403 in FY97.

Equipment - Replacement of the merchandise online cash register is recommended at a proprietary fund cost of $2,200 in FY96.

Transfers - Proprietary authority of $770 each year is needed for the transfer of general fund. The increase is required to reflect the 0.015 pay plan increase in FY95.

Debt Service - The $577 required in the 1995 biennium for the charge card modem lease has ended and is eliminated.

New Proposals

Personal Services Reductions - Proprietary fund personal services reductions are $10,714 in FY96 and $10,745 in FY97 for the Publications Program to fund the proposed pay plan.

Additional Press Editor - MHS is the only academic press in Montana and enjoys a regional reputation for high quality, respected scholarly publications. An increase in proprietary authority will allow the addition of 1.00 FTE press editor to handle an increased number of books, guidebooks, pamphlets, and other materials to be published by MHS Press. Funding for the editor is $33,956 in FY96 and $34,053 in FY97.

BA255 Press Editor - A budget amendment in the 1995 biennium was approved to expand the current 0.25 FTE editor position needed to meet the demand for editing and typesetting. This proposal will provide the increased authority to make the position a permanent 0.75 FTE responsible for coordination of production involving press projects, copy edit, manuscripts, coordinate illustrations, and assist with marketing press books, pamphlets and other materials. Proprietary cost is $6,832 in FY96 and $6,853 in FY97.

Historic Roads & Bridges Guide - This recommendation is for additional federal authority to finalize the "Historic Roads and Bridges Guide". The $10,000 expenditure in FY96 will be for actual printing, as the writing and preparation were performed by a budget amendment in the 1995 biennium.

BA849 Merch/Admin Support - A 0.50 FTE administrative support position, added as a budget amendment in the 1995 biennium, will become a current 1.00 FTE by this recommendation. The position will assist in meeting the demands of increased sales in merchandise and publications. This request is also for $30,000 additional authority each year of the biennium to purchase goods for resale in the merchandise program. Proprietary cost is $40,391 in FY96 and $40,422 in FY97.

Funding

The general fund, budgeted as a transfer, pays personal services costs for approximately 2.00 FTE involved in publishing Montana, the Magazine of Western History. The transfer allows these funds to be spent from the proprietary account, in accordance with generally accepted accounting principles (GAAP). The magazine is not self-sustaining and past legislatures have appropriated general fund to subsidize its publication. Federal authority of $10,000 in FY96 is for the printing of a guide book.

5117-06 HISTORICAL SITES PRESERVATION

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	7.50	.00	1.50	9.00	.00	1.50	9.00
Personal Services	286,071	-21,865	33,055	297,261	-20,968	33,137	298,240
Operating Expenses	78,079	12,009	0	90,088	8,844	0	86,923
Equipment	15,562	4,380	0	19,942	4,380	0	19,942
Grants	141,289	108,711	0	250,000	108,711	0	250,000
Total Agency Costs	521,001	$103,235	$33,055	$657,291	$100,967	$33,137	$655,105
General Fund	60,071	-3,349	-2,836	53,886	-3,349	-2,836	53,886
Federal Special Revenue Fund	460,930	106,584	35,891	603,405	104,316	35,973	601,219
Total Funding Costs	521,001	$103,235	$33,055	$657,291	$100,967	$33,137	$655,105

Present Law Mandates

The Montana Historical Society is required by federal and state law to operate the Historic Sites Preservation Program. Federal law is the National Historic Preservation Act, P.L. 102-381, and excerpts from state law include:

"22-3-423. Duties of historic preservation officer. The historic preservation officer has the following duties and responsibilities:

(1) follow necessary procedures to qualify the state for money that is now or will be made available under any act of congress of the United States or otherwise for purposes of historic preservation;

(2) conduct an ongoing statewide survey to identify and document heritage properties and paleontological remains;

(3) maintain a state inventory file of heritage properties and paleontological remains and maintain a repository for all such inventory work done in the state;

(4) evaluate and formally nominate potential register properties according to the criteria established by the register;

(5) prepare and annually review the state preservation plan, register nominations, and historic preservation grant activity;

(6) maintain, publish, and disseminate information relating to heritage properties and paleontological remains in the state;

(7) cooperate with and assist local, state, and federal government agencies in comprehensive planning that allows for the preservation of heritage properties and paleontological remains;

(8) enter into cooperative agreements with the federal government, local governments, and other governmental entities or private landowners or the owners of objects to ensure preservation and protection of registered properties;

(9) adopt rules outlining procedures by which a state agency that has no approved rules under 22-3-424(1) shall systematically consider heritage properties or paleontological remains on lands owned by the state and avoid, whenever feasible, state actions or state assisted or licensed actions that

substantially alter such properties;
(10) protect from disclosure to the public any information relating to the location or character of heritage properties when disclosure would create a substantial risk of harm, theft, or destruction to such resources or to the area or place where the resources are located; and
(11) any other necessary or appropriate activity permitted by law to carry out and enforce the provisions of this part."

Other duties currently prominent with the preservation officer per federal grants are (1)conducts historic surveys of communities, and (2) assists private property owners in receiving tax credits for rehabilitation work on property.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity, and other payroll rates.
Inflation/Deflation & Fixed Costs - Operating expenses increase by $14,352 in FY96 and $9,817 in FY97 as a result of inflation/deflation and fixed costs.
Operating Expenses - Rent is reduced $3,563 each year of the biennium as the preservation office moved into a DofA building and maintenance contracts increase federal funds by $1,220 in FY96 and $2,590 in FY97 to cover the office equipment no longer under warranty.
Equipment - Recommended federally-funded equipment is $19,942 each year of the biennium for computers, microfiche reader/printer, scanner, VCR monitor, photocopier, global positioning system, and miscellaneous office equipment.
Grants - The preservation program receives a National Park Service grant which the program administers and regrants for historic site preservation purposes. The federal fund increase reflects the estimated amount of $108,711 for the subgrant program in FY96 and FY97.

New Proposals

Personal Services Reductions - The Historic Sites Preservation Program is recommended for personal services reductions to support the pay plan of general fund of $2,836 each year and federal funds of $10,374 in FY96.

CRABS DB Mgr/Field Serv Hist - The information systems tech and field survey historian were one time temporary positions in the 1995 biennium and, therefore, were deleted from the base. This proposal makes the positions permanent 1.50 FTE at a federal cost of $46,265 in FY96 and $46,392 in FY97.

Funding

The Historical Sites Preservation Program is funded approximately 8% general fund and 92% federal funds from the National Park Service.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	1,882.05	-8.75	66.20	1,939.50	-9.00	-7.07	1,865.98
Personal Services	59,941,589	3,263,222	1,789,430	64,994,241	3,644,374	-243,574	63,342,389
Operating Expenses	20,140,743	4,140,837	4,954,981	29,236,561	5,317,786	6,977,545	32,436,074
Equipment	1,122,631	127,075	909,450	2,159,156	-144,579	293,965	1,272,017
Capital Outlay	32,260	12,612	0	44,872	-760	0	31,500
Grants	9,649,116	7,445,388	3,724,852	20,819,356	7,841,608	4,275,268	21,765,992
Transfers	182,280	-182,280	0	0	-182,280	0	0
Debt Service	65,363	6,316	16,000	87,679	6,316	16,000	87,679
Total Agency Costs	**91,133,982**	**$14,813,170**	**$11,394,713**	**$117,341,865**	**$16,482,465**	**$11,319,204**	**$118,935,651**
General Fund	76,253,700	12,900,737	8,610,605	97,765,042	13,956,023	7,763,432	97,973,155
State Special Revenue Fund	5,817,009	382,494	548,454	6,747,957	459,520	535,705	6,812,234
Federal Special Revenue Fund	5,281,204	1,251,996	396,023	6,929,223	1,717,703	438,707	7,437,614
Proprietary Fund	3,782,069	277,943	1,839,631	5,899,643	349,219	2,581,360	6,712,648
Total Funding Costs	**91,133,982**	**$14,813,170**	**$11,394,713**	**$117,341,865**	**$16,482,465**	**$11,319,204**	**$118,935,651**
Central Operations	2,544,860	714,969	303,838	3,563,667	588,753	310,208	3,443,821
Corrections	32,780,393	3,645,009	7,549,966	43,975,368	4,168,927	9,103,370	46,052,690
Mental Health	32,309,895	8,904,991	3,248,158	44,463,044	10,016,442	3,833,138	46,159,475
Chemical Dependency	4,953,189	578,465	292,849	5,824,503	623,826	287,980	5,864,995
Special Services	18,545,645	969,736	-98	19,515,283	1,084,517	-2,215,492	17,414,670
Total Program Costs	**91,133,982**	**$14,813,170**	**$11,394,713**	**$117,341,865**	**$16,482,465**	**$11,319,204**	**$118,935,651**

MISSION STATEMENT: The Department of Corrections and Human Services serves all Montanans by providing a continuum of services appropriate to a diverse group of people whose illnesses, disabilities, or offenses inhibit their full participation in society.

We are a partnership of skilled, dedicated, and innovative staff making a positive difference in the lives of those we serve.

We operate in an environment of openness and mutual respect while taking pride in, and responsibility for what we do.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	45.00	.00	3.00	48.00	.00	4.00	49.00
Personal Services	1,508,925	100,393	65,595	1,674,913	107,636	95,060	1,711,621
Operating Expenses	968,841	610,391	126,118	1,705,350	476,932	126,973	1,572,746
Equipment	6,411	-6,411	96,125	96,125	-6,411	72,175	72,175
Debt Service	60,683	10,596	16,000	87,279	10,596	16,000	87,279
Total Agency Costs	2,544,860	$714,969	$303,838	$3,563,667	$588,753	$310,208	$3,443,821
General Fund	2,478,248	591,363	236,294	3,305,905	486,036	237,291	3,201,575
State Special Revenue Fund	37,646	92,786	33,773	164,205	79,105	36,459	153,210
Federal Special Revenue Fund	1,556	11	33,771	35,338	-1,556	36,458	36,458
Proprietary Fund	27,410	30,809	0	58,219	25,168	0	52,578
Total Funding Costs	2,544,860	$714,969	$303,838	$3,563,667	$588,753	$310,208	$3,443,821

Present Law Mandates

The Central Operations Program includes the Department of Corrections and Human Services director appointed by the governor in accordance with 2-15-111. Also included is the Board of Pardons, 2-15-2302, MCA, which is allocated to the department for administrative purposes only as prescribed in 2-15-121. However, the board may hire its own personnel and 2-15-121(2)(d) does not apply.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity, upgrade of 15.00 FTE, downgrade of 1.00 FTE positions, and other payroll rates.
Inflation/Deflation & Fixed Costs - Operating expenses increase by $667,858 in FY96 and $534,399 in FY97 as a result of inflation/deflation and fixed costs.
Operating Expenses - The vocational resources contract was instituted both as a department wide safety program to curb increasing workers' compensation costs and as an employee assistance program. Since this program became part of the state employees benefit package in September, 1994, and the safety program ends in December, 1994, funds are no longer budgeted. Also, ISD cabling costs and funds for Novell are not budgeted. Travel and education costs for the Governor's Advisory Council on Corrections and Criminal Justice Policy increase $2,500 each year of the biennium.
Equipment - The department did not request replacement of equipment.

New Proposals

Personal Services Reductions - Vacancy savings of $21,586 general fund is allocated to the Central Operations Program each year as part of the funding for the 1997 biennium pay plan.

Bd of Pardons/Passenger Car - The board averages extensive miles on current vehicles and needs to provide reliable transportation for the administrative staff. Purchase of a new vehicle in FY96 is planned with $16,000 general fund.

Bd of Pardons-Postage Meter - An electronic mailing machine is needed to more accurately and efficiently prepare, separate and disseminate mail. FY96 general fund purchase is $1,550 and $384 is budgeted each year for meter head rental.

Bd of Pardons-Bd & Staff Training - Two National Institute of Corrections (NIC) technical support visits indicate the need for training for board members and staff. The board has never had a training budget. General fund cost is $3,750 each year of the 1997 biennium.

Early Return to Work/Safety Program - Since FY93, the DCHS has had a safety program in place certified by the State Fund. In exchange for developing this program, the department workers' comp rates were reduce by 5% for this two year program. To maintain compliance with the Safety Culture Act and the disability management effort, DCHS requires $10,000 for each institution, probation and parole region, and central office. There is $50,000 to be expended in contracted services for education/training costs, and for safety equipment. Additionally $10,000 will be required for travel. General fund program costs recommended are $160,000 each year of the 1997 biennium.

ISB Programming Staff - DCHS currently has a backlog of almost 4,000 hours of programming requests. These requests include updates to the ACIS system for classification and reclassification to assist in determining who goes to community-based corrections, Swan Boot Camp and inmates sentenced to the department; the MIS system which tracks the $15 million collected by the reimbursement bureau; Medicare/Medicaid regulations; and canteen/inventory systems modifications per legislative audit recommendations. The recommendation for 3.00 FTE will cost $119,861 in FY96 and for 4.00 FTE, $127,526 in FY97 to be funded proportionately from all revenue sources.

Equipment Lease/Copiers - Currently, central office has two xerox machines constantly in need of repair due to the volume of copies made. This recommendation will replace the machines with two leased copiers at a general fund cost of $16,000 each year of the 1997 biennium.

AS/400 Operating Upgrade - Currently, IBM has provided free operating system upgrades for the AS/400 line of computers; however, it is anticipated they will begin to charge a fee for these upgrades. It is necessary to retain continuity of technical support from IBM and to enhance capabilities at DCHS. The general fund cost is $22,175 each year of the 1997 biennium.

Program 10 Vehicle Lease - For four state agencies with existing vehicle fleets stationed at locations outside the Helena area, the executive budget proposes to lease motor vehicles in lieu of agencies purchasing replacement vehicles. The proposal does not change the number of vehicles operated by state agencies; it merely places responsibility for managing these vehicles with the state motor pool. For further explanation of potential cost savings, refer to the Department of Transportation (DOT) budget narrative. This new proposal would eliminate the scheduled purchase of replacement vehicles as reflected in the program present law base and replace this amount with the estimated rental charges paid to the motor pool. Gasoline and maintenance costs also are reduced since these items are included under the motor pool rental rate. This new proposal is contingent upon approval of the associated new proposal contained in the executive budget for the DOT motor pool. The department would lease one vehicle in FY96; the net change to the present law base would be a reduction of approximately $14,296 in FY96 and cost of $1,959 in FY97.

Funding

Approximately 93% of the central operations program is funded with general fund. A biennial appropriation of $142,528 in FY96 for legislative audit costs includes general fund, earmarked alcohol tax, canteen funds, federal block grant funds, and Montana State Prison proprietary funds. Fixed costs are also funded with the same sources.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	597.96	-7.75	71.50	661.71	-8.00	71.50	661.46
Personal Services	20,026,603	1,302,088	2,181,369	23,510,060	1,426,195	2,296,981	23,749,779
Operating Expenses	11,917,109	2,142,270	4,525,572	18,584,951	2,747,142	6,536,489	21,200,740
Equipment	780,188	190,926	843,025	1,814,139	-763	269,900	1,049,325
Capital Outlay	32,260	12,612	0	44,872	-760	0	31,500
Grants	20,946	0	0	20,946	0	0	20,946
Debt Service	3,287	-2,887	0	400	-2,887	0	400
Total Agency Costs	32,780,393	$3,645,009	$7,549,966	$43,975,368	$4,168,927	$9,103,370	$46,052,690
General Fund	27,840,433	3,570,114	5,372,035	36,782,582	4,040,114	6,138,608	38,019,155
State Special Revenue Fund	840,037	78,507	187,300	1,105,844	78,498	187,300	1,105,835
Federal Special Revenue Fund	345,264	-250,746	151,000	245,518	-273,736	196,102	267,630
Proprietary Fund	3,754,659	247,134	1,839,631	5,841,424	324,051	2,581,360	6,660,070
Total Funding Costs	32,780,393	$3,645,009	$7,549,966	$43,975,368	$4,168,927	$9,103,370	$46,052,690

Present Law Mandates

The Corrections Division program state mandates include prison and prisoners duties as required in Title 53, chapter 30, part 1, MCA, and probation, parole, and clemency duties are required in 45-9-202; 46-1-202; and Title 46, chapter 23, MCA. Community corrections facilities and programs are functions required by Title 53, chapter 30 part 3, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity, upgrade of 134.00 FTE positions, downgrade of 22.2 FTE, and other payroll rates. The 2.25 FTE and 2.00 FTE positions in FY96 and FY97, respectively, are included for federal education grants at MSP and a continuing federal contract which expires in September 1995. Federal fund costs are $74,139 in FY96 and $51,148 in FY97. Also included is $486,581 general fund each year of the biennium for correctional officer upgrades at MSP and WCC. Officers are being upgraded from grade 10 to grade 11 on the state pay plan.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $315,211 in FY96 and $558,099 in FY97 as a result of inflation/deflation and fixed costs.

Operating Expenses - Consultant and professional services increase approximately $132,500 each year due to contract agreements and significantly as a result of the WCC move from Montana State Hospital campus where services previously provided such as food, chaplain services, laundry, and mental health services must be procured through contract in the Billings area.

A contractual agreement between DCHS and Blue Cross/Blue Shield of Montana whereby BC/BS provides administrative medical management support to the corrections medical program. This allows systematic appraisal of inmate medical concerns and provides uniform evaluation throughout the corrections system. Provider rate for services are $412,679 in FY96 and $625,412 in FY97 general fund. Board and room costs increase approximately $834,000 each year due to the privatization of the Missoula men's pre-release center in FY94 and the planned expansion of beds at the center to 60 from 27.

The prison ranch is an enterprise fund and appropriations are based on current operations being maintained with limited increase in crop acreage and livestock numbers. Increases each year include: legal and court costs for water rights assistance, $9,800; weed control for crop and range

lands $57,095;feed supplement $7,206; Grain/feed corn purchases $20,219; fertilizer $7,343; and pro rata charges, i.e., milk quota payments and Holstein Assoc. charges of $11,123 in FY96 and $17,248 in FY97. The license plate factory budget includes an increase in inventory of aluminum scotchlite and other miscellaneous items needed to manufacture license plates. General fund increase is $7,415 in FY96 and $53,377 in FY97 which allows for inventory carryovers to cover production fluctuations and inventory for next FY. Repair and maintenance of old equipment increases $12,474 each year.

Canteen authority increase of $103,558 each year is for the purchase of merchandise for resale to MSP inmates. Probation and parole rent increases $8,626 each year for rental space across the space utilized by this program.

Prescription services reflect a decrease of approximately $43,000 in the biennium due to contract renegotiations.

Equipment - Equipment recommended for the Corrections program is $190,926 FY96 and $269,900 in FY97. One-time equipment purchases in FY94 were not included in the 1997 biennium recommendation.

New Proposals

Personal Services Reductions - The Corrections Program reflects a reduction of 18.50 FTE and $625,425 in FY96 and $627,568 in FY97 each year of the biennium. Two pre-release centers were privatized in FY94. Operational costs for the centers will be budgeted in private pre-release center budgets. Included in this reduction is $139,072 general fund vacancy savings each year.

Prison Laundry Equipment -The proposal will provide Montana State Prison (MSP) with the additional equipment needed to fully equip the new laundry operation on the high side of the compound. Cost of the equipment is $80,745 in FY96.

MSP Laundry - The purpose of this proposal is to provide funding for costs of laundry services which will be provided by MSP industries. General fund cost is $257,150 each year of the biennium.

Industries High Side Laundry - Appropriation authority is needed for the MSP Industries Industrial Complex to run the laundry facility being built from the Long-Range Building Program. This laundry facility will do laundry for MSP, Montana State Hospital, Montana Development Center, and Montana Chemical Dependency Center. Costs are for 8.00 FTE, inmate pay, and operating expenses to process institutional laundry needs and outside laundry processing work. All costs will be paid by the proprietary funds of $446,028 in FY96 and $521,028 in FY97.

Women's Correctional System - The Women's Correctional Center (WCC) relocated from the Warm Springs Campus to Billings in October 1994. As a result WCC is requesting 2.00 FTE to adequately meet security and program needs since the former support provided by Montana State Hospital (MSH) will not be available. The center will need funds for a canteen system as it will no longer have access to the MSH canteen. The request for 2.00 FTE is needed to manage and coordinate the community programming for the system. General fund cost of the increases is $191,898 in FY96 and $192,333 in FY97.

MSP/Relief Factor For COs - This recommendation includes 19.00 FTE to provide relief to keep necessary security posts manned when assigned officers are in pay status but not at their posts or on-site. Coverage of posts is required 24 hours per day to ensure security of the institution as well as to provide relief as required for the safety and well being of staff. Funding for the FTE is $503,142 in FY96 and $504,875 in FY97.

Community Program Enhancements - DCHS is preparing for an estimated community population

increase by ensuring resources are available to effectively manage community populations. Resources necessary are 11.00 FTE probation and parole officers at a cost of $605,206 in FY96 and $420,452 in FY97. DCHS will financially assist pre-release and probation and parole clients unable to pay for mental health/sexual offender counseling and treatment at a cost of $110,000 each year. Funding to continue drug and alcohol urinalysis testing at pre-release centers is $72,000 each year. Day reporting centers incorporate intensive treatment and supervision components, but allow clients to live in the community. Cost of this recommendation is $263,520 in FY96 and $262,800 in FY97. Adequate supervision of offenders in communities is vital for the protection of the public.

In 1994, DCHS received a grant for computers and equipment to establish an offender job training program. The program includes $72,000 general fund each year to provide incentive/support services for child care, tuition for training/education, transportation, grooming, clothing and union dues to assist clients who complete the education component in obtaining employment.

MSP/Infirmary - To address medical and dental needs of the MSP population, 7.00 FTE are necessary recommended additions to the infirmary operation. General fund cost of the medical services positions is $196,816 in FY96 and $197,500 in FY97.

Expand Swan River Boot Camp - This proposal is to expand the boot camp program by an additional five male booters each year of the biennium. Additionally, the department plans to create a female program to comply with the directives of the legislature and 53-30-401, MCA.

The program will increase the trustee population by five throughout the biennium, provide 8.00 FTE as a relief factor for drill instructors and 1.00 FTE administrative support. General fund cost is $279,667 in FY96 and $324,135 in FY97.

Regional Prisons/County Jails - Montana is projected to have an incarcerated male population of 1,940 inmates by the end of FY97. To address this population and develop cooperation and coordination with county jails, DCHS is proposing construction of cells with approximately 80 medium security beds in cooperation with current county jail construction. The state will avoid costly prison construction while permitting significant cost savings for both state and counties through shared administration and central services.

DCHS is proposing development of four regional jail/prisons this biennium, with 225 additional medium security beds available by the end of FY97. Cost is projected at $40 per day per inmate. General fund cost in FY97 is $810,000.

Swan River Boot Transition - This proposal will provide aftercare for trainees completing the boot camp program. Special focus will be on integration of boot camp graduates into the community. A total of 20 beds at $37 per day is currently projected for the aftercare program at a general fund cost of approximately $270,000 each year of the biennium. Five of these beds will be available to provide a transitional program facility for women.

Additional Industry Authority - A recommendation to expand prison industries will provide additional authority for 2.00 FTE vocational training teachers on the high security compound at a general fund cost of approximately $91,000 each year. An increase of 4.00 FTE for the industrial complex and additional authority to expand work/sales are proprietary funding of $1.1 million in FY96 and $1.8 million in FY97.

Corrections/New Equipment - Miscellaneous new equipment recommended throughout the Corrections program includes: electrical service at the gun range, computers and printers for

probation and parole, fire protection equipment at Swan River CTC, high band radios and copy machine at WCC, and miscellaneous items for MSP high side vocational training, ranch, and industrial complex. Biennial costs are $473,076 general fund and $119,000 proprietary funds.

Community Programs - To meet the increase of the number of adult offenders in the state correctional system in the 1997 biennium, the department intends to purchase an additional 163 pre-release beds at a cost of $1,532,646 in FY96 and $1,918,440 in FY97. Urinalysis testing will be required for the additional beds at a cost of $20,000 each year. An adequate transition from the institution to the community is necessary and will allow the offender 20 days to locate a job before the mandated $10 per day cost is charged at the pre-release center. Cost of transition is $93,719 in FY96 and $105,607 in FY97.

An increase in the amount of funds for local jail incarcerations is necessary because of the increase of parolees, pre-release clients, and clients/inmates committed to the department and higher level authoritative changes. An increase in contracts with county jails is $80,000 each year.

Supervisory fees from probation and parole violators are used for training and equipment for P&P officers. The department requests $137,300 per year in P&P fees. An increase of P&P staff of 17.00 FTE will be required to maintain the FY94 workload. Four FTE will be placed as P&P officers and 6.00 FTE Intensive Supervision Program (ISP) officers will be hired to enhance rehabilitation and reduce prison ADP. The remaining 7.00 FTE will be used as support staff in P&P where needed. General fund cost is $816,823 in FY96 and $555,004 in FY97.

Add'tl Sex Offender Treatment - Currently there are approximately 400 sex offenders at MSP. This proposal would provide increased contracted sex offender treatment consisting of an additional Intensive Treatment Unit, additional outpatient treatment, additional Phase I treatment on the high side and add a minimum of two intensive outpatient groups on the low side. Two contract staff, with Montana Sex Offender Treatment Association (MSOTA) certification, for sex offender treatment would allow MSP the opportunity to get more sex offenders into a treatment program. General fund cost is $41,600 each year.

Program 20 Vehicle Lease - For four state agencies with existing vehicle fleets stationed at locations outside the Helena area, the executive budget proposes to lease motor vehicles in lieu of agencies purchasing replacement vehicles. The proposal does not change the number of vehicles operated by state agencies; it merely places responsibility for managing these vehicles with the state motor pool. For further explanation of potential cost savings, refer to the Department of Transportation (DOT) budget narrative. This new proposal will eliminate the scheduled purchase of replacement vehicles as reflected in the program present law base and replace this amount with the estimated rental charges paid to the motor pool. Gasoline and maintenance costs are also reduced since these items are included in the motor pool rental rate. This new proposal is contingent upon approval of the associated new proposal contained in the executive budget for the DOT motor pool. The program will lease 31 vehicles in FY96 and 41 vehicles in FY97; the net change to the present law base will be a reduction of approximately $365,188 in FY96 and $64,537 in FY97.

CD Services-Corrections - This request will provide chemical dependency treatment services to inmates at MSP, Swan River CTC, and WCC. Over 80% of prison populations are chemically dependent or incarcerated because of problems relating to alcohol or drugs. This program will consist of an intensive outpatient and aftercare component, an educational component within MSP, and outpatient counselors at Swan and WCC. Staffing consists of 1.00 FTE counselor/supervisor, 2.00 FTE outpatient/aftercare counselors, 4.00 FTE IOP counselors and 1.00 FTE administrative support,

all at MSP, plus 1.00 FTE counselor each at Swan and WCC. As four of these positions are already part of the base, the request is for 6.00 FTE. In anticipation of substance abuse treatment funding from the federal crime bill, $151,000 in FY96 and $196,102 in FY97 is a portion of the funding recommended. The remaining $102,318 in FY96 is general fund.

Corr. Div. Institution Group - The personal services portion of this recommendation provides 2.00 FTE to the MSP records department enabling them to meet commitments due to increased work load with the expectations of an additional 400 beds in the community and to review all cases where "good time" dating back to 1982 may be rewarded after a recent court decision. Costs associated with providing inservice training to Corrections Division personnel are $300,000 each year. In addition, garbage disposal per current law on waste disposal is funded. The total general fund recommendation is $362,976 in FY96 and $370,611 in FY97.

Replace Crane/Truck/Tractors - Replacement of equipment needs for the MSP Ranch are recommended at a proprietary fund cost of $215,000 in the biennium and a general fund cost of $100,000 in FY97.

BA310 Toyota Tech Education Pgm - The cost of this proposal is 1.00 FTE and $68,636 proprietary funding each year of the biennium to continue the Toyota Technical Education program started in FY94 through a budget amendment. The program teaches inmates the skills required by automobile technicians.

Funding

General fund of 83% is the primary source of funding for the Corrections Division. Reflected in the general fund increase is the recommendation that the earmarked alcohol tax funding should only be appropriated for use in chemical dependency services in the community and general fund would be more appropriately used to fund programs in the correctional institutions and the Department of Justice crime lab. As a result there is no longer any alcohol tax funding in the Corrections Program budget. State special revenue includes donations of $8,513 and canteen funds of approximately $855,600 each year.

Miscellaneous federal grants are the sources of federal funds. The reduction is reflected in MBCC grants to DCHS and the conclusion of an IAP personnel contract with the federal Justice Department. Proprietary funds are for the prison ranch and dairy, industries and industries training programs at MSP and WCC, and represent 14% of the funding.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	635.92	.00	-10.85	625.07	.00	-10.25	625.67
Personal Services	20,962,573	905,671	-402,897	21,465,347	1,038,760	-380,138	21,621,195
Operating Expenses	3,798,639	1,020,439	307,056	5,126,134	1,602,581	332,277	5,733,497
Equipment	171,946	-81,039	-3,800	87,107	-81,039	-16,800	74,107
Grants	7,293,551	7,143,106	3,347,799	17,784,456	7,539,326	3,897,799	18,730,676
Transfers	82,280	-82,280	0	0	-82,280	0	0
Debt Service	906	-906	0	0	-906	0	0
Total Agency Costs	**32,309,895**	**$8,904,991**	**$3,248,158**	**$44,463,044**	**$10,016,442**	**$3,833,138**	**$46,159,475**
General Fund	30,626,721	7,964,444	3,115,699	41,706,864	8,608,476	3,700,679	42,935,876
State Special Revenue Fund	161,736	-11,443	-2,541	147,752	-11,436	-2,541	147,759
Federal Special Revenue Fund	1,521,438	951,990	135,000	2,608,428	1,419,402	135,000	3,075,840
Total Funding Costs	**32,309,895**	**$8,904,991**	**$3,248,158**	**$44,463,044**	**$10,016,442**	**$3,833,138**	**$46,159,475**

Present Law Mandates

The Mental Health Program operates state-wide functions as required by Title 53, Chapter 21, MCA: Part 1 treatment of seriously mentally ill; part 2 community mental health center; part 4 Montana Center for Aged; and part 6 Montana State Hospital.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity, upgrade of 66.83 FTE, downgrade of 6.00 FTE, and other payroll rates.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $148,327 in FY96 and $243,239 in FY97 as a result of inflation/deflation and fixed costs.

Operating Expenses - Annual contracts include: Galen campus maintenance contract with Anaconda/Deer Lodge County $100,000; evaluation of community programs $3,500; psychology intern services with UofM $4,460; physical therapy at CFA $3,800; ethics committee at CFA $1,140; and community mental health contracts for grants $706,470 in FY96 and $1,166,140 in FY97.

MSH, CFA, and Galen are participating in the state building energy conservation program and make $176,000 payments each year on bonds for the subsequent projects. An anticipated savings of the same amount will be realized each year of the biennium.

Medical expenditures for radiological services increase approximately $15,500 each year and utilization fee for nursing home beds increase at a cost of $63,768 in FY96 and $89,785 in FY97.

Cost projections for natural gas transportation at MSH are approximately $4,893 less than the agency budget submission; program prescription contracts based on renegotiated contract reflect approximately $20,000 reduction; telephone equipment payments completed in FY95 reflect a reduced annual charge of $76,359; long distance charges reduced $3,820 each year as Mental Disabilities Board of Visitors, State Library, and SRS Rehabilitation Services will assume long distance telephone charges/usage at MSH; and $12,500 reduction for TB medication as the responsibility should be with the Department of Health and Environmental Sciences. Until 1993, DCHS had a role in providing: 1) inpatient TB services at Galen, and 2) outpatient medications from the MSH pharmacy.

Equipment - Replacement costs for miscellaneous needs for the Mental Health system including MSH and CFA is $80,618 FY96 and $84,965 FY97. One time equipment appropriated in FY94 are not

included in the 1997 biennium recommendation.
Transfers - Energy savings payment for the State Building Energy Conservation Program was previously recorded in transfers and is now reflected in operating/utilities.

New Proposals
Personal Services Reductions - Consolidation of laundry services in the Montana State Prison will allow a reduction in the Montana State Hospital of 13.00 FTE and general fund of $209,525 in FY96 and $211,397 in FY97. Also included are personal services reductions of 2.50 FTE vacant positions saving $81,718 in FY96 and $82,001 in FY97 and vacancy savings for the Mental Health System program of $178,573 general fund each year of the biennium.

Community Services/SED Youth - The 53rd Legislature adopted a package which appropriated $2 million of general fund to the Department of Family Services (DFS) for treatment, repealed the "family of one" Medicaid eligibility rule, and ended Medicaid payments to residential psychiatric hospitals for children to achieve a $10 million budget savings. The 1995 biennium directive for the Managing Resources Montana (MRM) in DCHS stated in HB2: "The DCHS shall coordinate the development of programs for children with severe emotional disturbances. The departments of family services, health and environmental sciences, and social and rehabilitation services and the office of public instruction and the board of crime control shall fully cooperate and coordinate resources with the department." These agencies were to collaboratively develop, administer, and fund services for children with severe emotional disturbances and with multi-agency service needs. The departments also were directed to develop community-based alternatives to inpatient psychiatric care and to reduce the number of residential care placements.

Based on the success of the MRM, the administration recommends consolidation of all the components of MRM within DCHS, which will continue to operate the program in each region. Five geographic areas covering the state have a regional MRM team including representatives from the MHC, DFS, public schools, youth courts, parents or parent advocates, a mental health service provider, public health and other local community service agencies. Each regional team has developed a regional plan for the delivery of services and oversight of operations. MRM provides a variety of services based on needs tailored to the youth, families, and available service resources within each region.

The executive budget recommendation includes funding for a child and adolescent service system manager for the MRM Program that is currently funded by a time-limited federal grant. It also includes funding for a utilization review specialist transferred from DFS with the transfer of Medicaid review responsibilities during FY94. An appropriation of $1,500,000 each year of the current biennium was appropriated to the DFS and transferred to DCHS for MRM services. In addition, this recommendation includes the $473,000 general fund appropriation each year which was budgeted in the Office of Public Instruction during the current biennium and transferred for MRM services. These special education funds provide services to children and adolescents in residential treatment facilities. The total recommended DCHS budget for these services is $10,932,834 in FY96 and $11,011,098 in FY97.

General fund match for Medicaid services (targeted case management and residential treatment) is budgeted in DCHS, the administering agency, while additional special revenue in excess of $11 million each year is budgeted in SRS. During the 1993 Legislative Session, SRS was authorized to develop managed care delivery systems for Medicaid services. SRS proposes to develop a managed care system for mental health services delivered under the Medicaid Program. Estimated savings in the primary care budget will be $2 million general fund each year of the biennium. This savings

depends on HCFA granting a waiver to the state to implement this managed care system. The MRM program will be incorporated into the Mental Health Managed Care Program.

Housing/Crisis Intervention - The lack of safe affordable housing with the necessary support services has been repeatedly identified through the mental health planning process as a serious gap in the array of community-support services available for adults with serious mental illnesses. At times, the absence of a suitable living arrangement delays or prevents discharge from the Montana State Hospital. This recommendation will provide supported-apartment housing to 60 adults with severe and disabling mental illness in five communities for $110,000 each year of the biennium.

Also, funding is recommended to establish short-term residential crisis programs in three communities. Short-term crisis intervention has been effective in reducing the need for more expensive acute hospital stays and longer-term Montana State Hospital admissions. The cost of operating each six to eight bed unit is $275,000. This proposal is based on initiating three units, one in October 1995, one in July 1996, and one in October 1996. Total general fund cost of services is $316,250 in FY96 and $866,250 in FY97.

Sex Offender Treatment - There are developmentally disabled and seriously mentally ill sex offenders currently being served at MDC, MSH, and MSP. None of these facilities has an adequate specialized program for this population. This proposal is for current nursing staff and vacant positions to be converted to specialized treatment positions, plus related operating and equipment expenditures at MSH. General fund cost of the treatment program is $105,534 in FY96 and $114,202 in FY97.

Professional Staff Training - The Mental Health Division employs over 600 staff who provide services to patients at MSH and the Center for the Aged (CFA). Professional staff are expected to know and apply state-of-the art professional services on behalf of patients. This proposal will provide staff training for the maintenance of professional skills and add funding for staff development through the purchase of training materials, and availability of workshops and conferences. General fund cost of additional training for staff is $21,000 each year of the biennium.

Center for the Aged Physician - The physician currently providing medical services to the majority of CFA residents and serving as the contract medical director is planning to retire soon. The cost for replacement of these services is $69,171 in FY96 and $69,513 in FY97. The increased cost will be offset by Medicaid reimbursement generated by this position at an estimated $45,000 per year.

Discontinue CFA Canteen - The canteen at the CFA was discontinued in April 1994. Snacks are now distributed to residents daily, with the cost of those snacks included in the per diem rate. This recommendation will reduce state special canteen revenue $2,541 each year.

Program 30 Vehicle Lease - For four state agencies with existing vehicle fleets stationed at locations outside the Helena area, the executive budget proposes to lease motor vehicles in lieu of agencies purchasing replacement vehicles. The proposal does not change the number of vehicles operated by state agencies; it merely places responsibility for managing these vehicles with the state motor pool. For further explanation of potential cost savings, refer to the Department of Transportation (DOT) budget narrative. This new proposal will eliminate the scheduled purchase of replacement vehicles as reflected in the program present law base and replace this amount with the estimated rental charges paid to the motor pool. Gasoline and maintenance costs are also reduced since these items are included in the motor pool rental rate. This new proposal is contingent upon approval of the associated new proposal contained in the executive budget for the DOT motor pool. The program will lease one vehicle in FY96 and two vehicles in FY97; the net savings will be approximately $10,765 in FY96 and $6,895 in FY97.

BA525 MHSIP Implementation - This project will provide for the development of an integrated management information system for MSH. The patient information system will provide: access to mental health data/information for staff, research initiatives with the university system, and facilitate and improve ability to respond to required and ad hoc reporting for the Mental Health Block Grant National Reporting Program, National Association of State Mental Health Directors, state agencies, and the legislature. The increase, initiated by a budget amendment in FY94, will allow additional authority of $135,000 each year of the biennium.

Funding

Approximately 93% of the Mental Health Program is funded with general fund. State special revenue reflects a decrease because canteen operations were reduced. Federal revenue comprises 6% of the program funding and includes $10,23,073 each year in Mental Health Block Grant, $300,000 per year in Homeless Block Grant funding and the remainder being other federal grant programs.

6401-40 CHEMICAL DEPENDENCY

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	55.85	-1.00	-2.50	52.35	-1.00	-2.50	52.35
Personal Services	1,776,740	98,499	-70,540	1,804,699	109,092	-70,951	1,814,881
Operating Expenses	808,565	210,949	-13,664	1,005,850	235,617	-8,438	1,035,744
Equipment	32,778	-32,778	0	0	-22,678	-10,100	0
Grants	2,334,619	302,282	377,053	3,013,954	302,282	377,469	3,014,370
Debt Service	487	-487	0	0	-487	0	0
Total Agency Costs	**4,953,189**	**$578,465**	**$292,849**	**$5,824,503**	**$623,826**	**$287,980**	**$5,864,995**
State Special Revenue Fund	2,616,824	224,873	254,373	3,096,070	267,716	249,386	3,133,926
Federal Special Revenue Fund	2,336,365	353,592	38,476	2,728,433	356,110	38,594	2,731,069
Total Funding Costs	**4,953,189**	**$578,465**	**$292,849**	**$5,824,503**	**$623,826**	**$287,980**	**$5,864,995**

Present Law Mandates

The Chemical Dependency system operates state-wide alcohol/drug treatment functions as required by Title 16, Chapter 1, part 4, MCA. The Department of Corrections and Human Services is required by 53-24-204 (b), MCA, to prepare the Comprehensive Long-Term Chemical Dependency Plan every four years and update the plan each biennium.

Present Law Base

Personal Services - Montana Chemical Dependency Center (MCDC) base adjustments are due to the annualization of the pay plan and adjustments for longevity, upgrade of 7.60 FTE, downgrade of 1.00 FTE positions, and other payroll rates. A contract will replace a program evaluator position 1.00 FTE withdrawn by the department.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $21,378 in FY96 and $36,901 in FY97 as a result of inflation/deflation and fixed costs.

Operating Expenses - Consultant and professional services contracts increase $68,799 each year of the biennium due to: 1) a program evaluation position now reflected in a contract; 2) counseling staff training; 3) evaluations, 4) parole and probation placement costs; 5) newsletter encompassing chemical dependency (CD) prevention; and 6) preparation of a comprehensive long-term CD plan.

Non-employee travel includes patient bus rides for discharge/aftercare and travel related to a CD program evaluations and evaluator contract. The cost is approximately $6,000 in FY96 and

$5,000 in FY97.

Other increased operating costs are: $3,553 each year for dues to the National Association of Alcohol and Drug Abuse Directors; indirect costs of $2,560 each year associated with the Alcohol and Drug Abuse Division (ADAD) data contract; medical services previously provided by Montana State Hospital will be obtained from Butte Radiology Services at an increased cost of $5,487 each year; prescription management fee of $5,125 in FY96 and $5,252 in FY97; food service contract of approximately $92,000 each year (less than what was budgeted for food on the Galen campus); garbage service of $1,000 each year; and MCDC rent contract of approximately $22,000 in the 1997 biennium for the former St. James Community Hospital East in Butte.

Equipment - The budget does not include equipment in the recommendation, as the one-time need was met in FY94.

Grants - Community services grants are for alcohol and drug treatment and prevention services by state-approved chemical dependency programs serving adolescents, pregnant women and other critical populations, and providing transitional living and inpatient service. Federal Substance Abuse Preventative Treatment block grant funds of $2,636,901 each year of the biennium are passed through as grants.

Debt Service - The copier lease for ADAD was moved to the Central Operations Program.

New Proposals

Personal Services Reductions - The department proposes to eliminate services for clients requesting detox only services, reduce the number of inpatient beds from 90 to 74 and 3.50 FTE at Montana Chemical Dependency Center (MCDC). The personal services savings is $104,016 in FY96 and $104,545 in FY97. Operating expenses associated with the detox unit also reduced are $18,664 each year. The state special revenue alcohol tax savings is part of the recommended pay plan funding.

Aftercare Coordinator - An aftercare coordinator for MCDC will facilitate placements throughout the state which will improve patient chances of maintaining sobriety. Currently this service is contracted on a half time basis. Federal cost of this position is $38,476 in FY96 and $38,594 in FY97.

Program 40 Vehicle Lease - For four state agencies with existing vehicle fleets stationed at locations outside the Helena area, the executive budget proposes to lease motor vehicles in lieu of agencies purchasing replacement vehicles. The proposal does not change the number of vehicles operated by state agencies; it merely places responsibility for managing these vehicles with the state motor pool rather than with individual agencies. For further explanation of potential cost savings, refer to the Department of Transportation (DOT) budget narrative. This new proposal will eliminate the scheduled purchase of replacement vehicles as reflected in the program present law base and replace this amount with the estimated rental charges paid to the motor pool. Gasoline and maintenance costs also are reduced since these items are included in the motor pool rental rate. This new proposal is contingent upon approval of the associated new proposal contained in the executive budget for the DOT motor pool. The program will lease one vehicle in FY97; the net change to the budget will be a savings of approximately $4,874 in FY97.

CD Community Treatment - The purpose of this recommendation is to provide funding for expansion of chemical dependency treatment for offender populations in the community. With the emphasis on placing more offenders in communities it is imperative the state have the resources to provide necessary chemical dependency services. Total cost is funding from state special alcohol revenue, which was appropriated in FY94 and FY95 for chemical dependency services at Montana State Prison, Women's Correctional Center, Swan River Boot Camp, and the crime lab in Missoula. The earmarked revenue is recommended to be appropriated for use in chemical dependency services in the community, and general fund would be used to fund programs in the correctional institutions and

the Department of Justice crime lab. Recommended offender chemical dependency treatment is $377,053 in FY96 and $377,469 in FY97.

Funding

Earmarked Alcohol tax is the primary funding source for chemical dependency operations and state-approved treatment programs including the Montana Chemical Dependency Center in Butte. The tax funding is estimated to be $3,096,070 in FY96 and $3,133,926 in FY97. Federal funds of $2,649,815 each year include the Substance Abuse Prevention and Treatment (SAPT) block grant and categorical grant funds for operations and community services. The earmarked funds not directly appropriated for state programs are statutorily appropriated to counties for state appropriated for state programs are statutorily appropriated to counties for state approved chemical dependency programs. The statutory appropriations are estimated at $800,000 each year.

6401-50 SPECIAL SERVICES

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	547.32	.00	5.05	552.37	.00	-69.82	477.50
Personal Services	15,666,748	856,571	15,903	16,539,222	962,691	-2,184,526	14,444,913
Operating Expenses	2,647,589	156,788	9,899	2,814,276	255,514	-9,756	2,893,347
Equipment	131,308	56,377	-25,900	161,785	-33,688	-21,210	76,410
Transfers	100,000	-100,000	0	0	-100,000	0	0
Total Agency Costs	**18,545,645**	**$969,736**	**$-98**	**$19,515,283**	**$1,084,517**	**$-2,215,492**	**$17,414,670**
General Fund	15,308,298	774,816	-113,423	15,969,691	821,397	-2,313,146	13,816,549
State Special Revenue Fund	2,160,766	-2,229	75,549	2,234,086	45,637	65,101	2,271,504
Federal Special Revenue Fund	1,076,581	197,149	37,776	1,311,506	217,483	32,553	1,326,617
Total Funding Costs	**18,545,645**	**$969,736**	**$-98**	**$19,515,283**	**$1,084,517**	**$-2,215,492**	**$17,414,670**

Present Law Mandates

The Special Services Program includes state-wide functions as required by Title 2, Chapter 15, MCA. Medicaid regulations require the agency to provide a healthy environment for the residents.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan and adjustments for longevity, upgrade of 54.62 FTE positions, downgrade of 2.00 FTE, and other payroll rates.
Inflation/Deflation & Fixed Costs - Operating expenses increase by $115,437 in FY96 and $188,221 in FY97 as a result of inflation/deflation and fixed costs.
Operating Expenses - Consultant and professional services reflect adjustments for vocational resources, physical therapy, professional occupation therapy services, speech and psychology services. Medicaid/ICF/MR regulations require EHSC to provide residents with haircare and, due to the financial needs of some residents, $1,800 each year of general fund is added to the budget for haircuts.

Cost projections for natural gas transportation at MDC increase approximately $33,000; new landfill regulations that result in hauling solid waste to a new licensed site will cost about $50,000 each year; and the MDC new facility will connect with the Boulder City water system and abandon existing wells at a cost of $5,500 each year.

EHSC is participating in the State Building Energy Conservation Program and making $4,800

payments each year on bonds for the subsequent projects. An anticipated savings of the same amount will be realized each year of the biennium. Also maintenance contracts increase approximately $3,000 each year for computers and printers.

MVH budget adjustments reflect a reduction of $10,969 in FY96 and $12,324 in FY97 for prescription services due to contract renegotiations and the increased cost of nursing home beds is $41,767 in FY96 and $58,854 in FY97.

Equipment - Replacement equipment recommended at MDC and MVH is $32,102 in FY96 and $37,337 in FY97. Also cost estimates for data/telephone cabling at MDC are $82,000 in FY96. EHSC reflects replacement equipment of $8,445 in FY96 and $2,845 in FY97. One-time equipment purchases in FY94 were not included in the 1997 biennium recommendation.

Transfers - The $100,000 transfer to Department of Administration, Architect & Engineering Division, is for the purchase of equipment on the MDC campus construction project.

New Proposals

Personal Services Reductions - Reductions of 1.40 FTE in FY96 and 76.27 FTE in FY97 are from consolidation of laundry services at the Montana State Prison Industry Program, efficiencies of operating in a smaller, consolidated MDC campus, and the proposal to close Eastmont Human Service Center effective January 1997. General fund savings is $142,370 in FY96 and $2,358,312 in FY97. Vacancy savings of $110,769 general fund also is included each year of the biennium in order to fund the 1997 biennium pay plan.

MVH-Additional Nurse Aides - The level of care being provided by the Montana Veterans' Home (MVH) has increased as the members become characteristically more heavy care patients. The state Department of Health and Environmental Sciences (DHES) requires two hours of nursing care per member per day for state nursing homes. The U.S. Department of Veterans' Affairs requires two-and-one-half hours of nursing care per member per day. DHES indicates the higher level of care is not being met because of staffing levels. State special and federal funds of $97,325 in FY96 and $97,654 in FY97 will provide for 4.20 FTE nurses aides to meet the higher federal staffing standards.

MVH-OBRA Software - This proposal will implement automation of patient data to provide HCFA with required information on the 90 nursing patients at the MVH. Effectiveness of the system will be determined by accuracy of the reports sent to HCFA and improvement in data required to provide better care to members. Cost of the software is $16,000 state special and federal funds in FY96 only.

EHSC Vocational Program - EHSC has been cited by Medicaid surveyors during their inspections for not providing a vocational program for those residents who have the necessary capabilities. Development of the program requires 2.25 FTE resident care aides and general fund of $56,448 in FY96 and $55,624 in FY97.

Program 50 Vehicle Lease - For four state agencies with existing vehicle fleets stationed at locations outside the Helena area, the executive budget proposes to lease motor vehicles in lieu of agencies purchasing replacement vehicles. The proposal does not change the number of vehicles operated by state agencies; it merely places responsibility for managing these vehicles with the state motor pool. For further explanation of potential cost savings, refer to the Department of Transportation (DOT) budget narrative. This new proposal will eliminate the scheduled purchase of replacement vehicles as reflected in the program present law base and replace this amount with the estimated rental charges paid to the motor pool. Gasoline and maintenance costs are also reduced since these items are included under the motor pool rental rate. This new proposal is contingent upon approval of the associated new proposal contained in the executive budget for the DOT motor pool. The program would lease two vehicles in FY96 and three in FY97; the net savings will be approximately $27,501

in FY96 and $10,458 in FY97.

Funding

General fund is 81% and the primary source of funding for the Special Services Program. The state special revenue sources for the Montana Veterans' Homes include cigarette tax revenue, private insurance, Medicaid reimbursement, canteen funds, donations, MDC vocational fees, and interest and income. Federal revenue is Veterans' Administration reimbursement of $1,306,012 in FY96 and $1,321,123 in FY97, as well as miscellaneous grants of $5,494 each year.

Department of Military Affairs

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	98.94	-1.29	-.25	97.40	-1.29	-.25	97.40
Personal Services	2,990,425	108,529	-38,799	3,060,155	117,342	-39,356	3,068,411
Operating Expenses	2,402,479	233,114	4,457,088	7,092,681	243,107	3,730,131	6,375,717
Equipment	62,473	-57,573	15,850	20,750	-58,073	3,810	8,210
Grants	571,493	144,507	0	716,000	144,507	0	716,000
Benefits and Claims	2,280	0	0	2,280	0	0	2,280
Transfers	140,523	-80,523	0	60,000	-80,523	0	60,000
Debt Service	6,165	0	0	6,165	-6,165	0	0
Total Agency Costs	**6,175,838**	**$348,054**	**$4,434,139**	**$10,958,031**	**$360,195**	**$3,694,585**	**$10,230,618**
General Fund	1,951,162	103,271	149,306	2,203,739	105,633	119,373	2,176,168
State Special Revenue Fund	42,855	10,984	16,608	70,447	11,312	21,629	75,796
Federal Special Revenue Fund	4,181,821	233,799	4,268,225	8,683,845	243,250	3,553,583	7,978,654
Total Funding Costs	**6,175,838**	**$348,054**	**$4,434,139**	**$10,958,031**	**$360,195**	**$3,694,585**	**$10,230,618**
Operations Support	319,917	-15,561	-7,439	296,917	-27,113	-7,699	285,105
Army National Guard Pgm	2,401,438	106,277	4,440,352	6,948,067	131,949	3,708,052	6,241,439
Air National Guard Pgm	1,506,043	69,312	-93,953	1,481,402	81,202	-90,790	1,496,455
Disaster Coordination Response	1,379,275	144,590	97,639	1,621,504	136,298	87,542	1,603,115
Veterans Affairs Program	569,165	43,436	-2,460	610,141	37,859	-2,520	604,504
Total Program Costs	**6,175,838**	**$348,054**	**$4,434,139**	**$10,958,031**	**$360,195**	**$3,694,585**	**$10,230,618**

MISSION STATEMENT:

National Guard - Air and Army: Provide ready units and personnel to the state and nation in three roles: *Federal:* To support United States national security objectives with trained and ready soldiers, airmen and equipment. *State:* To provide trained and ready soldiers, airmen and equipment to protect life and property, and the environment; and to preserve peace, order and public safety. *Communities:* To participate in local, state and national programs that add value to the State and America.

Disaster and Emergency Services Division: Provide leadership for development of an emergency management system that uses the four phases of a disaster; mitigation, preparedness, response and recovery; to save lives, alleviate suffering, protect the environment, and reduce property damage.

Veterans Affairs: Assist all veterans, their dependents and beneficiaries in preparing and filing entitlement benefits; and administer the State Veterans Cemetery.

6701-01 OPERATIONS SUPPORT

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	6.64	-.54	.00	6.10	-.54	.00	6.10
Personal Services	226,201	5,400	-7,439	224,162	6,535	-7,699	225,037
Operating Expenses	90,101	-24,026	0	66,075	-32,313	0	57,788
Equipment	1,335	3,065	0	4,400	-1,335	0	0
Benefits and Claims	2,280	0	0	2,280	0	0	2,280
Total Agency Costs	**319,917**	**$-15,561**	**$-7,439**	**$296,917**	**$-27,113**	**$-7,699**	**$285,105**
General Fund	306,371	-15,857	-7,439	283,075	-27,556	-7,699	271,116
Federal Special Revenue Fund	13,546	296	0	13,842	443	0	13,989
Total Funding Costs	**319,917**	**$-15,561**	**$-7,439**	**$296,917**	**$-27,113**	**$-7,699**	**$285,105**

Present Law Mandates

The Operations Support Program exists to provide central administration for the Department of Military Affairs. The program follows the same federal and state mandates as the other programs it supports.

Present Law Base

Personal Services - Net personal services increases are due to annualization of the FY95 pay plan, and adjustments in employee benefit rates, offset by a 0.54 FTE reduction annualized from the last special session budget cuts.

Inflation/Deflation & Fixed Costs - Operating expenses decrease by $24,026 in FY96 and $32,313 in FY97 as a result of inflation/deflation and fixed costs adjustments. Insurance and bonds fixed costs were allocated to other programs as appropriate for the 1997 biennium which is a change from the method used in the base year.

Equipment - Equipment replacement is increased in FY96 for a photocopy machine. No replacement equipment is recommended in FY97.

New Proposals

Personal Services Reduction - The executive budget recommends a reduction in personal services of $7,439 in FY96 and $7,699 in FY97 in order to provide adequate funding for the Governor's 1997 biennium pay plan proposal.

Funding

Funding is provided by the general fund and federal funds. Federal funds are limited to proportional funding of an accounting technician position.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	18.50	.00	2.50	21.00	.00	2.50	21.00
Personal Services	536,791	10,201	79,978	626,970	12,409	80,121	629,321
Operating Expenses	1,697,422	203,301	4,360,374	6,261,097	226,765	3,627,931	5,552,118
Equipment	26,702	-26,702	0	0	-26,702	0	0
Transfers	140,523	-80,523	0	60,000	-80,523	0	60,000
Total Agency Costs	**2,401,438**	**$106,277**	**$4,440,352**	**$6,948,067**	**$131,949**	**$3,708,052**	**$6,241,439**
General Fund	752,109	56,974	161,083	970,166	74,040	135,964	962,113
State Special Revenue Fund	0	0	5,000	5,000	0	10,000	10,000
Federal Special Revenue Fund	1,649,329	49,303	4,274,269	5,972,901	57,909	3,562,088	5,269,326
Total Funding Costs	**2,401,438**	**$106,277**	**$4,440,352**	**$6,948,067**	**$131,949**	**$3,708,052**	**$6,241,439**

Present Law Mandates

The Army National Guard Program operates under both federal and state mandates in accordance with its dual missions to maintain a trained and ready military force and a state civil disaster response capability.

Present Law Base

Personal Services - Net personal services increases are primarily due to annualization of the FY95 pay plan, vacancy savings realized during FY94, and adjustments in employee benefit rates.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $93,958 in FY96 and $117,002 in FY97 as a result of inflation/deflation and fixed costs adjustments. Insurance and bonds fixed costs were allocated to this program for the 1997 biennium which is a change from the method used in the base year.

Building Maintenance & Repair - Federal funding of training site building repair and maintenance increases by $93,210 each year. These amounts were appropriated in the base in FY94 but were transferred to the Department of Administration Architecture and Engineering Division for remodeling of the Montana Military Academy at Fort Harrison. Hence the cost for the 1997 biennium appear as base adjustments.

Equipment - No equipment replacement is recommended. FY94 expenditures were $26,702.

Transfers - Transfers to the Department of Administration show a net decrease due to the reversal of the one-time $93,210 transfer for the Montana Military Academy project. The $60,000 per year is remaining budgeted for environmental projects.

New Proposals

Personal Services Reduction - The executive budget recommends a reduction in personal services of $3,381 in FY96 and $3,500 in FY97 in order to provide funding for the Governor's 1997 biennium pay plan proposal. The reductions are allocated to the general fund.

Attack Battalion Armory Utilities - General fund of $34,603 each year is recommended for the estimated utility expenses of the new Attack Battalion Armory near the Helena airport. The unit mission is to prepare for the usage of aircraft in attack and lift-oriented assignments.

Environmental Tech Support - There is 0.50 FTE and $13,935 in federal funds recommended each year to provide technical support for the 4.00 FTE professional staff and thirteen separate

environmental functions assigned to the environmental unit.

Facilities Management Support - There is recommended 1.00 FTE and $31,971 each year for additional professional support to the Facilities Management Office. The position will be responsible for oversight of repair projects, tracking and prioritizing maintenance needs, reviewing in-house design projects, and inspecting facilities for safety and preventive maintenance. Funding is 50% general fund and 50% federal funds.

State Maintenance-Armory Backlog - General fund of $105,000 in FY96 and $80,000 in FY97 is recommended to address deferred maintenance on state-maintained armories throughout the state. Base funding has not kept pace with safety and operational needs during recent biennia.

Service Contract-Deferred Maintenance - There is $35,500 per year proposed to address the backlog of deferred maintenance contracts for over fifty buildings covered under the national guard service contract. Funding is 75% federal and 25% general fund. These buildings require a higher maintenance level for safety and prevention purposes.

Range Program - There is $153,162 each year in federal funds recommended to continue support of automated target systems on firing ranges. Target systems equipment, supplies, parts, and other repair expenses are necessary to maintain reliable high technology target systems as well as the standard ranges.

Armory Rental Fee Authority - There is $5,000 in state special revenue authority in FY96 and $10,000 in FY97 recommended to enhance maintenance and upgrade of local armories. Revenue will be from rental fees currently charged to for-profit organizations but deposited in the general fund. The proposal will fund small improvement projects rather than major deferred maintenance needs that are addressed under other proposals.

Youth Programs - Recommended are 1.00 FTE and federal funds of $3,689,562 in FY96 and $2,977,380 in FY97 authorized by Congress through the Secretary of Defense to administer one or more contracts for pilot youth programs under the National Guard Civilian Youth Opportunities Program. These programs are oriented toward high school dropouts in the 16-18 year-old range and provide an intensive structured training environment for supervised work experience, life skills, and progress toward acquisition of a general education degree (GED). The federal funds will provide for contract professional and supervisory staff, food, recreation, travel, educational services, and associated support services.

Legislative Contract Authority - $300,000 per year in federal spending authority recommended to allow the program to expend additional federal funds that may become available in a timely and efficient manner. General appropriations act language is recommended to accompany this authority: "The legislature intends that the appropriation for legislative contract authority provide adequate spending authority to enable faster and more cost-effective startup of services otherwise initiated by budget amendment. Prior to authorizing use of the appropriation, the office of budget and program planning must require the usual and necessary contract justification. A legislative contract authority appropriation must be accounted for and reported separately from all other appropriations. In the event that the amount of the department's additional federal contracts exceeds its legislative contract authority, additional spending authority must be established in accordance with the provisions of the budget amendment law in Title 17, Chapter 7, part 4, MCA."

RCAS Utilities - A $75,000 per year increase in federal funds is recommended for the electricity expenses of continuing the Reserve Component Automation System (RCAS). This computer

network, installed during the 1995 biennium as part of a national army guard process, connects all army guard locations in the state for electronic processing of mail, technical data and information sharing.

Funding

Funding is provided by the general fund and federal funds. The funding mix is dependent upon the use of facilities maintained by the program. State facility activity is 100% general fund, the federal service contract provides for 25% general fund/75% federal, and training sites are funded entirely with federal funds. The environmental unit is primarily federally funded, with a portion of the environmental manager position matched with general fund.

6701-13 AIR NATIONAL GUARD PGM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	35.00	.00	-4.00	31.00	.00	-4.00	31.00
Personal Services	1,083,780	59,874	-124,105	1,019,549	58,610	-123,836	1,018,554
Operating Expenses	421,863	9,838	30,152	461,853	22,992	33,046	477,901
Equipment	400	-400	0	0	-400	0	0
Total Agency Costs	**1,506,043**	**$69,312**	**$-93,953**	**$1,481,402**	**$81,202**	**$-90,790**	**$1,496,455**
General Fund	144,637	4,243	7,536	156,416	7,709	8,261	160,607
Federal Special Revenue Fund	1,361,406	65,069	-101,489	1,324,986	73,493	-99,051	1,335,848
Total Funding Costs	**1,506,043**	**$69,312**	**$-93,953**	**$1,481,402**	**$81,202**	**$-90,790**	**$1,496,455**

Present Law Mandates

The Air National Guard Program operates under both federal and state mandates in accordance with its dual missions to maintain a trained and ready military force and a state civil disaster response capability.

Present Law Base

Personal Services - Net present law adjustment increases are primarily due to annualization of the FY95 pay plan, vacancy savings realized during FY94, and adjustments in employee benefit rates.
Inflation/Deflation & Fixed Costs - Operating expenses increase by $33,221 in FY96 and $46,375 in FY97 as a result of inflation/deflation and fixed costs adjustments. Insurance and bonds fixed costs were allocated to this program for the 1997 biennium which is a change from the method used in the base year.
Janitorial Contract - Expenses for a janitorial contract decrease by $36,979 each year. The contract will not be renewed for the 1997 biennium.
Snow Plowing Contract - The budget for snow plowing of non-runway areas increases by $13,596 per year to the previous appropriation level. FY94 expenditures were low due underutilization of contract services and a low snow year.
Equipment - No equipment replacement is recommended. FY94 expenditures were $400.

New Proposals

Personal Services Reduction - The executive budget recommends a reduction of 4.00 firefighters and $124,105 in FY96 and $123,836 in FY97 in order to provide adequate funding for the Governor's 1997 biennium pay plan proposal. The reductions are to federally-funded positions.

Air Guard Utilities - Utility increases of $30,152 in FY96 and $33,046 in FY97 are recommended for the estimated utility expenses of a recently completed new fire station and a medical/dining facility that will be completed early in FY96. The funding is 75% federal and 25% general fund.

Funding

Funding is provided by the general fund and federal funds. The operations and maintenance funding agreement is 75% federal and 25% state general fund. The firefighter unit is entirely funded by federal funds.

The Air National Guard Program (ANG) is one of three state programs participating in a performance-based budgeting (PBB) pilot project (refer to the discussion of the PBB pilot contained in the front section of the executive budget document). The executive budget proposes the following bill language:

> "The appropriation provided for the air national guard program is contingent upon funds being used to attempt to achieve program performance targets as outlined in the executive budget for the 1997 biennium. The department shall provide semiannual reports to the office of budget and program planning and the office of the legislative fiscal analyst on progress towards achievement of these performance targets with explanations for any significant variances."

The proposed program goals and associated performance targets are as follows:

Goal #1) To provide reliable facilities and utilities to meet readiness requirements and satisfy installation needs.

- Performance Measure/Target: Achieve a satisfactory or higher rating for all outside-agency directed inspections, audits, and staff assistance visits.

	FY95	FY96	FY97
Less-than-satisfactory ratings	0	0	0

- Performance Measure/Target: Manage facilities and airfields such that all missions are executed on schedule.

	FY95	FY96	FY97
Number of missions cancelled due to facilities or airfield management	0	0	0

Goal #2) Conduct all activities in compliance with environmental, fire, and safety laws and directives.

- Performance Measure/Target: Achieve a satisfactory or higher rating for all environmental and safety inspections, audits, and staff assistance visits.

	FY95	FY96	FY97
Less-than-satisfactory ratings	0	0	0

Goal #3) Operate, maintain, repair, and construct real property and installed equipment to

accomplish the mission in the most economical manner.

- Performance Measure/Target: Annual facility maintenance assessments by the ANG Civil Engineering Technical Services result in ratings of satisfactory or above.

	FY95	FY96	FY97
Unit repair and maintenance costs at 1.5% of construction costs	$391,622	$435,122	$448,172
Utilities costs not exceed data criteria and facility budget	$309,401	$327,473	$339,828
Total state share of ops. & maint. not to exceed 65% of facilities' replacement cost	$156,649	$188,553	$194,208

Goal #4) Provide effective management of contract services such as refuse disposal, pest control, minor construction, design, and grounds maintenance.

- Performance Measure/Target: Complete all projects as estimated to customers and control contract services costs within acceptable parameters.

	FY95	FY96	FY97
Project completion as percentage of customer estimates	100%	100%	100%
Contract services costs as percentage of repairs & maint. budget	< 25%	< 25%	< 25%

6701-21 DISASTER COORDINATION RESPONSE

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	20.00	-.75	.75	20.00	-.75	.75	20.00
Personal Services	648,206	17,469	17,727	683,402	21,487	17,578	687,271
Operating Expenses	126,932	15,258	66,562	208,752	-1,452	69,154	194,634
Equipment	32,644	-32,644	13,350	13,350	-28,244	810	5,210
Grants	571,493	144,507	0	716,000	144,507	0	716,000
Total Agency Costs	**1,379,275**	**$144,590**	**$97,639**	**$1,621,504**	**$136,298**	**$87,542**	**$1,603,115**
General Fund	221,735	25,459	2,194	249,388	24,893	-3,004	243,624
Federal Special Revenue Fund	1,157,540	119,131	95,445	1,372,116	111,405	90,546	1,359,491
Total Funding Costs	**1,379,275**	**$144,590**	**$97,639**	**$1,621,504**	**$136,298**	**$87,542**	**$1,603,115**

Present Law Mandates

The Disaster Coordination Response Program operates under state mandates.

Present Law Base

Personal Services - Net present law adjustment increases are primarily due to annualization of the FY95 pay plan, vacancy savings realized during FY94, and adjustments in employee benefit and longevity rates. The 1.00 FTE earthquake program coordinator was reduced to 0.25 FTE in FY95 by legislative action; the reduction of 0.75 FTE is shown as a present law adjustment in the 1997 biennium. A new proposal recommends restoring it to a full FTE in FY96. The $13,700 in termination payouts during FY94 are not budgeted in the 1997 biennium.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $15,325 in FY96 and decrease by $1,385 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Equipment - Equipment replacement is significantly below FY94 expenditures. There is $4,400 recommended in FY97 for two personal computer workstations.

Grants - Total Federal Emergency Management Agency (FEMA) pass-through grants to county governments increase by $144,507 each year. The increase is based upon the identifiable available funding level.

New Proposals

Personal Services Reduction - The executive budget recommends a reduction in personal services of $6,424 in FY96 and $6,649 in FY97 in order to provide adequate funding for the 1997 biennium pay plan proposal. The reductions are allocated to the general fund.

Continue the Earthquake Program - An increase of 0.75 FTE and additional federal funds of $36,825 in FY96 and $36,901 in FY97 will restore the earthquake coordinator position to a full FTE and continue the earthquake program. This program was established four years ago with 100% federal funds and extended through the duration of FY95 with a federal budget amendment. The required state match will be met with in-kind contributions by other agencies.

Local Area Network (LAN) - The phase-in of a local area computer network is recommended in the amounts of $17,238 in FY96 and $7,290 in FY97.

Legislative Contract Authority - Federal spending authority of $50,000 per year is recommended to allow the program to expend additional federal funds that may become available in a timely and efficient manner. General appropriations act language is recommended to accompany this authority: "The legislature intends that the appropriation for legislative contract authority provide adequate spending authority to enable faster and more cost-effective startup of services otherwise initiated by budget amendment. Prior to authorizing use of the appropriation, the office of budget and program planning must require the usual and necessary contract justification. A legislative contract authority appropriation must be accounted for and reported separately from all other appropriations. In the event that the amount of the department's additional federal contracts exceeds its legislative contract authority, additional spending authority must be established in accordance with the provisions of the budget amendment law in Title 17, Chapter 7, part 4, MCA."

Funding

Funding is provided by the general fund and federal funds. The disaster coordination function is funded with 50% federal and 50% state general fund. All other program funds are federal.

6701-31 VETERANS AFFAIRS PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	18.80	.00	.50	19.30	.00	.50	19.30
Personal Services	495,447	15,585	-4,960	506,072	18,301	-5,520	508,228
Operating Expenses	66,161	28,743	0	94,904	27,115	0	93,276
Equipment	1,392	-892	2,500	3,000	-1,392	3,000	3,000
Debt Service	6,165	0	0	6,165	-6,165	0	0
Total Agency Costs	**569,165**	**$43,436**	**$-2,460**	**$610,141**	**$37,859**	**$-2,520**	**$604,504**
General Fund	526,310	32,452	-14,068	544,694	26,547	-14,149	538,708
State Special Revenue Fund	42,855	10,984	11,608	65,447	11,312	11,629	65,796
Total Funding Costs	**569,165**	**$43,436**	**$-2,460**	**$610,141**	**$37,859**	**$-2,520**	**$604,504**

Present Law Mandates

The Veterans Affairs Program operates under a state mandate.

Present Law Base

Personal Services - Net present law adjustment increases are primarily due to annualization of the FY95 pay plan, vacancy savings realized during FY94, and adjustments in employee benefit and longevity rates. The $9,300 in termination payouts during FY94 are not budgeted in the 1997 biennium.

Inflation/Deflation & Fixed Costs - Operating expenses increase by $15,220 in FY96 and $7,097 in FY97 as a result of inflation/deflation and fixed costs adjustments.

Increased Cemetary Donations Authority - Operating expenses for the veterans' cemetary are increased $10,500 to provide spending authority for increased cemetary donations and plot allowances. The increase is based upon increased donations and activity during the current biennium.

Contract Services - An increase of $6,165 in FY97 only is attributable to increased contract services for gravesite work at the veterans' cemetary at Fort Harrison.

Equipment - Office equipment replacement is below FY94 expenditures with $500 recommended in FY96 only.

Debt Service - Installment payments for a tractor for the veterans' cemetary will be completed at the end of FY96. No debt service is budgeted for FY97.

New Proposals

Personal Services Reduction - The executive budget recommends a reduction in personal services of $16,568 in FY96 and $17,149 in FY97 in order to provide adequate funding for the 1997 biennium pay plan proposal. The reductions are allocated to the general fund.

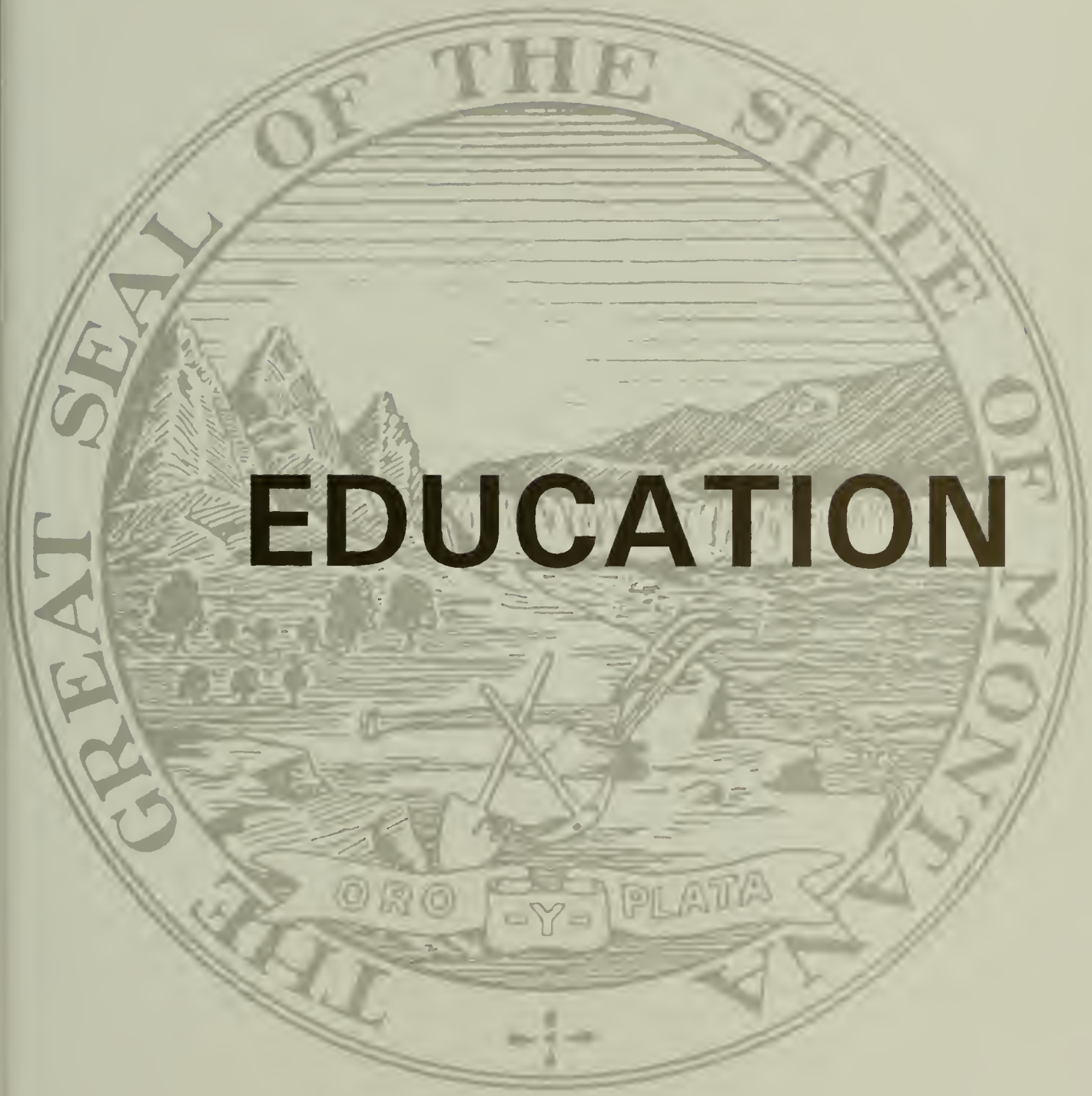
Cemetery Groundskeeper - An increase of 0.50 FTE and $11,608 in FY96 and $11,629 in FY97 is recommended to provide additional operations support for the veterans' cemetery during the summer-fall peak workload period. Significant structural and grounds improvements require continuous care and maintenance and backup coverage for the cemetery sexton. Funding is from the state special revenue fund.

Office Equipment - There is $2,500 in FY96 and $3,000 in FY97 recommended for new office equipment in the field offices. Answering machines and photocopiers are the priority equipment

needs.

Funding

Funding is provided by the general fund and state special revenue funds. The veterans' cemetary is funded entirely with state special revenue from veterans license plate fees, donations, and VA plot allowances.



EDUCATION

Office of Public Instruction

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	139.23	-5.00	4.00	138.23	-5.00	1.00	135.23
Personal Services	4,886,070	34,467	-107,747	4,812,790	31,189	-108,623	4,808,636
Operating Expenses	3,149,416	1,022,579	712,470	4,884,465	982,477	608,876	4,740,769
Equipment	221,008	-125,994	0	95,014	-131,706	0	89,302
Local Assistance	45,067,029	3,646,911	2,727,988	51,441,928	-232,501	3,451,319	48,285,847
Grants	54,806,813	13,069,104	0	67,875,917	585,974	0	55,392,787
Transfers	529,859	389,248	0	919,107	-502,094	0	27,765
Total Agency Costs	**108,660,195**	**$18,036,315**	**$3,332,711**	**$130,029,221**	**$733,339**	**$3,951,572**	**$113,345,106**
General Fund	45,289,541	4,750,552	177,580	50,217,673	-1,701,090	17,001	43,605,452
State Special Revenue Fund	4,962,768	-129,638	82,057	4,915,187	-129,638	83,347	4,916,477
Federal Special Revenue Fund	8,920,115	61,824,619	3,099,957	73,844,691	50,967,633	3,878,246	63,765,994
Proprietary Fund	1,039,740	38,813	-26,883	1,051,670	44,465	-27,022	1,057,183
Agency Fund	48,448,031	-48,448,031	0	0	-48,448,031	0	0
Total Funding Costs	**108,660,195**	**$18,036,315**	**$3,332,711**	**$130,029,221**	**$733,339**	**$3,951,572**	**$113,345,106**
Opi Administration	8,800,466	1,383,459	604,723	10,788,648	443,025	500,253	9,743,744
Distribution To Public Schools	99,859,729	16,652,856	2,727,988	119,240,573	290,314	3,451,319	103,601,362
Total Program Costs	**108,660,195**	**$18,036,315**	**$3,332,711**	**$130,029,221**	**$733,339**	**$3,951,572**	**$113,345,106**

MISSION STATEMENT: To advocate, communicate, educate, and be accountable to those we serve.

The Office of Public Instruction includes funding for direct state aid and guaranteed tax base (GTB) which are statutorily appropriated from the school equalization account (SEA). Guaranteed tax base is granted for school district general fund budgets, retirement, and capital outlay. These amounts are discussed in detail in the front section of the executive budget.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	139.23	-5.00	4.00	138.23	-5.00	1.00	135.23
Personal Services	4,886,070	34,467	-107,747	4,812,790	31,189	-108,623	4,808,636
Operating Expenses	3,129,646	1,042,349	712,470	4,884,465	1,002,247	608,876	4,740,769
Equipment	220,846	-125,832	0	95,014	-131,544	0	89,302
Local Assistance	17,161	-17,161	0	0	-17,161	0	0
Grants	70,227	7,045	0	77,272	7,045	0	77,272
Transfers	476,516	442,591	0	919,107	-448,751	0	27,765
Total Agency Costs	**8,800,466**	**$1,383,459**	**$604,723**	**$10,788,648**	**$443,025**	**$500,253**	**$9,743,744**
General Fund	3,553,948	580,371	177,580	4,311,899	-391,859	17,001	3,179,090
State Special Revenue Fund	549,027	-124,063	82,057	507,021	-124,063	83,347	508,311
Federal Special Revenue Fund	3,657,751	888,338	371,969	4,918,058	914,482	426,927	4,999,160
Proprietary Fund	1,039,740	38,813	-26,883	1,051,670	44,465	-27,022	1,057,183
Total Funding Costs	**8,800,466**	**$1,383,459**	**$604,723**	**$10,788,648**	**$443,025**	**$500,253**	**$9,743,744**

Present Law Mandates

The Superintendent of Public Instruction is an elected official provided for in Section 1, Article VI, of the Montana Constitution. Section 20-3-106, MCA, states that the Superintendent "has the general supervision of the public schools and districts of the state." Section 20-7-301, MCA, names the Superintendent as "the governing agent and executive officer" for Kindergarten through 12th grade and secondary vocational education in Montana. Most activities of the office operate under various state and federal mandates. Please refer to appendix for specific legal references.

Present Law Base

FTE - The 5.00 FTE reduction is due to the elimination of traffic education in the 1993 special session of the legislature. Two of these FTE are replaced in the traffic education new proposal.

Personal Services - The increase in personal services is due to a 1.5% pay increase which becomes effective in January 1995. The increase is partially offset by a reduction in the costs of termination pay and elimination of 5.0 FTE in Traffic Education. These FTE were eliminated as a result of actions taken in the December 1993 special session. Two FTE are presented as a new proposal in this budget.

Federal Funding Increases - The office anticipates significantly increased allocations for most of its current federally financed programs. Most notable increases are listed in the following table.

OPI Federal Funding Increases

	FY 96	FY 97
Star Schools	$22,392	$22,392
School Foods State Admin	$75,000	$75,000
Summer Food Program	$3,643	$5,716
Nutrition Education	$12,500	$12,500
Law related education	$43,500	$43,500
Byrd Scholarships	$60,000	$60,000
National Diffusion Network	$26,150	$26,150

Chapter 2	$98,991	$98,991
Common Core	$19,312	$19,312
JTPA	$33,100	$33,100
Drug Free Schools	$7,800	$7,800
AIDS Education	$11,460	$11,460
IDEA Preschool & Pts B-D	$228,246	$228,246
Chapter 1	$186,193	$186,193
Equity	$9,143	$9,143
Migrant	$5,624	$5,624
Bilingual	$3,887	$3,887
McKinney Homeless Children	$7,204	$7,204
Adult Basic Education	$2,334	$2,334
Veterans Education	$3,004	$3,004

Inflation/deflation and fixed costs - Adjustments for inflation and fixed costs, which include audits by the Legislative Auditor, rent in state-owned buildings, computer network fees, warrant writing, payroll and grounds maintenance, add $99,186 in FY96 and $41,197 in FY97. The difference between years is accounted for by the audit which is budgeted fully in FY96.

Maintenance contracts - Maintenance contracts on computer and office equipment increase $42,224 over the FY94 level as FY94 was understated due to a credit received on overpayment from a prior year.

Traffic Education - Traffic education, which includes administration of driver's training programs and operation of the school bus safety program, had been eliminated effective for FY95 as a part of reductions taken in special session in December 1993. This reduces expenditures by $147,033 from state special revenues. See new proposal for Traffic Education.

METNET - This program is expanding services at an added cost of $55,173 per year which includes long-distance phone lines and staff travel and training for district personnel. This expansion will bring the program to the level established by the 1993 Legislature.

Audiology Contracts - The statewide contract for audiology and hearing conservation is anticipated to increase $21,114 over the FY94 level as a part time position is shifted from salary to the contract. The position is transferred to a federally funded program. The total cost of audiology is not increased by this action. General fund supports audiology services.

Nutrition Education - Contracts with Montana State University for Nutrition education services is budgeted to increase $41,425 from the FY94 level. This increase is federally funded.

Grants - Grants expand by $7,045 as grants for Effective Schools and Christa McAullife Fellowships are increased with federal funds.

Equipment - Equipment expenditures are reduced to a scheduled replacement cycle in the 1997 biennium. All equipment in the 1997 biennium is funded with general fund.

New Proposals

Personal Services Reduction - Total personal services are reduced by $244,392 in FY96 and $245,651 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan. The reductions are allocated among the general fund, state and federal special revenue, and proprietary funds. The reductions are applied against base personal services funding only. Three FTE are eliminated in FY97. The general fund savings associated with this proposal are $112,420 in FY96 and $112,999 in FY97. The reduction of FTE in FY97 is contingent upon the passage of an early retirement incentive for state employees who are members of the Teachers Retirement System. If such legislation is not passed, the FTE would be retained and vacancy savings increase to $245,651 in FY97.

Goals 2000: Educate America Act - Signed into law in late FY94, this act is anticipated to provide

$6.2 million in the 1997 biennium for improvement of education. The specific improvements will follow a plan developed by the state panel which is appointed jointly by the Governor and Superintendent of Public Instruction. The federal act requires that 90% of the funds be awarded to school districts, with the remaining 10% to be used by the state. The amount contained in the Administration program represents the state share which funds 2.00 FTE and related operating costs. The district share is shown in the Distribution to Schools Program. This program was initiated by budget amendment in the current biennium.

Montana Arts and English Curricular Framework - This is a federally-funded model program to integrate English and the arts through curriculum, teacher training, certification guidelines and establishment of model schools to pilot the program. The award provides $75,000 each year for state assistance and administrative costs, which is included above, and $124,000 each year directly to the pilot schools, which is included in the Distribution to Public Schools Program. This program was initiated through budget amendment in FY94. No additional staff are added to OPI as a result of this new proposal.

Health Enhancement Grant - The office uses $102,950 in FY96 and $115,000 in FY97 from a federal grant to: work with teacher training institutions in Montana to incorporate a model for health and physical education curriculum into their teacher training programs; train a group of current teachers through credit granting institutions to use the model curriculum; and use the trained teachers as resources to other teachers to disperse the information to schools throughout the state. No additional staff are added to OPI as a result of this new proposal.

Cooperative Food Purchase Program - This new proposal increases by $2,373 in FY96 and $3,613 in FY97 the state special funds appropriation for the cooperative food purchase program which combines food purchase orders from participating schools to achieve volume savings. The funds are generated from a 2% surcharge on the food purchases. The additional funds are used to cover increased operating costs. No additional staff are added to OPI as a result of this new proposal.

Revolving School Food Commodities - There is $55,000 per year generated from charges to schools for processing and delivery of USDA donated foods to cover increased warehousing costs ($5,000) and increased processing ($50,000). No additional staff are added to OPI as a result of this new proposal.

Traffic Education Private Funds - The office is seeking $34,560 per year from private sources to support traffic safety training workshops for elementary and middle school teachers. No additional staff are added to OPI as a result of this new proposal.

Traffic Education - There is $130,000 general fund added each year to continue administration of driver's training programs and operation of the school bus safety program. These programs had been eliminated as a part of reductions taken in special session in December 1993. Two FTE who are currently working in the program under one-time authority granted in the special session are continued.

MAEFAIRS Maintenance - The Montana Automated Education Financial and Information Reporting System (MAEFAIRS) was initiated with a one-time appropriation of $400,000 in the current biennium. This system allows electronic reporting and editing of district enrollment reports, budgets and trustee reports. OPI anticipates 100 school districts will be using the system in the 1995 biennium. This proposal adds $160,000 general fund in a one-time biennial appropriation to complete the implementation and training of the remaining districts and make any needed modifications to the system. No additional staff are added to OPI as a result of this new proposal.

Funding

The Administration Program is funded by a mixture of state, federal and proprietary funds. School Equalization Account (SEA) funds of $200,000 per year are used to finance the METNET activities. Proprietary funds are used to fund administrative services to other functions within the agency.

3501-09 DISTRIBUTION TO PUBLIC SCHOOLS

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Operating Expenses	19,770	-19,770	0	0	-19,770	0	0
Equipment	162	-162	0	0	-162	0	0
Local Assistance	45,049,868	3,664,072	2,727,988	51,441,928	-215,340	3,451,319	48,285,847
Grants	54,736,586	13,062,059	0	67,798,645	578,929	0	55,315,515
Transfers	53,343	-53,343	0	0	-53,343	0	0
Total Agency Costs	**99,859,729**	**$16,652,856**	**$2,727,988**	**$119,240,573**	**$290,314**	**$3,451,319**	**$103,601,362**
General Fund	41,735,593	4,170,181	0	45,905,774	-1,309,231	0	40,426,362
State Special Revenue Fund	4,413,741	-5,575	0	4,408,166	-5,575	0	4,408,166
Federal Special Revenue Fund	5,262,364	60,936,281	2,727,988	68,926,633	50,053,151	3,451,319	58,766,834
Agency Fund	48,448,031	-48,448,031	0	0	-48,448,031	0	0
Total Funding Costs	**99,859,729**	**$16,652,856**	**$2,727,988**	**$119,240,573**	**$290,314**	**$3,451,319**	**$103,601,362**

Present Law Mandates

Equalization of schools is required in the Montana Constitution. Programs of equalization and support of public schools are operated under various state and federal mandates. Please refer to appendix for specific legal references.

Present Law Base

Distributions to Schools - This program includes adjustments to numerous programs of state and federal aid to school districts as summarized in the following table. For programs which no FY97 amount is listed the FY96 appropriation is biennial.

OPI Distributions to Public Schools

	FY 94	FY 96	FY 97
State Funded Programs			
Special Education	$33,252,492	$34,753,960	$32,722,797
Transportation	10,138,135	10,600,000	10,700,000
In State Treatment	588,240	1,949,791	
School Lunch	626,190	660,189	661,731
Adult Basic Education	248,750	250,000	250,000
Gifted and Talented	144,143	300,000	
Secondary Voed	651,703	1,300,000	
SIMMS	499,678	500,000	500,000
Federally-Funded Discretionary Programs			
Adult Basic Education	854,025	1,365,000	
IDEA Pts B, D, Preschool	674,817	2,431,400	

Vocational Education	2,836,064	6,022,525	
JTPA	378,228	1,017,200	
Chapter 1	514,774	2,295,000	
McKinney Homeless Children	16,000	132,000	
Foreign Language		108,000	
Federally funded agency programs			
IDEA		9,614,317	11,537,180
Chapter 1		23,309,387	23,309,387
Migrant		611,069	611,069
Math/Science		911,466	931,466
Drug Free		1,864,935	1,864,935
Chapter 2		345,736	345,736
School Lunch		16,170,610	16,715,742

Special Education - Approximately $300,000 is added to the budgets bringing funding to the level recommended to the 1993 Legislature. The FY96 amount includes a recommended biennial appropriation of $2,031,163 for the contingency fund which is used to cover emergency placements in districts. There is $123,000 per year of the appropriation moved to the Department of Corrections and Human Services to fund MRM services to severely emotionally disturbed youth. This amount was transferred in FY94 (see in-state treatment below).

Transportation - The biennial amount for transportation increases by $2.1 million to cover increased pupil transportation costs. A supplemental appropriation of $1.72 million is requested to complete payments in the current biennium.

In-State Treatment - The budget for instate treatment is set at the level approved by the 1993 Legislature prior to the 0.5% budget balancing reduction. The amount above reflects that $2,649,791 level minus $700,000 transferred to the Department of Corrections and Human Services to fund MRM services to severely emotionally disturbed youth. This amount is the same as was transferred in FY94.

The 53rd Legislature adopted a package which appropriated $2 million of general fund to the Department of Family Services (DFS) for treatment, repealed the "family of one" Medicaid eligibility rule, and ended Medicaid payments to residential psychiatric hospitals for children to achieve a $10 million budget savings. The 1995 biennium directive required DCHS to coordinate the development of programs for children with severe emotional disturbances. The departments of family services, health and environmental sciences, and social and rehabilitation services, the office of public instruction and the board of crime control were to collaboratively develop, administer, and fund services for children with severe emotional disturbances and with multi-agency service needs. The departments also were directed to develop community-based alternatives to inpatient psychiatric care and to reduce the number of residential care placements.

Based on the success of the MRM, the administration recommends consolidation of all the components of MRM within DCHS. The executive budget recommendation includes funding for a child and adolescent service system manager for the MRM Program that is currently funded by a time-limited federal grant. It also includes funding for a utilization review specialist transferred from DFS with the transfer of Medicaid review responsibilities during FY94. An appropriation of $1,500,000 each year of the current biennium was appropriated to the DFS and transferred to DCHS for MRM services. In addition, this recommendation includes the $946,000 general fund appropriation which was budgeted in the Office of Public Instruction during the current biennium and transferred

for MRM services. These special education funds provide services to children and adolescents in residential treatment facilities. The total recommended DCHS budget for these services is $10,932,834 in FY96 and $11,011,098 in FY97.

School Lunch - This amount is increased due to increased numbers of meals served.

Federally-Funded Discretionary Programs - These programs are funded at the level of anticipated receipts as estimated by the Office of Public Instruction. All these programs represent funds that are distributed to school districts based upon awards determined by OPI.

Federally-Funded Agency Programs - These programs are funded at the level of anticipated receipts as estimated by the Office of Public Instruction. All these programs represent funds that are passed through to school districts based upon formulas established by the federal government. In the current biennium these funds are expended from the agency fund; however, due to changes in national accounting policy they now must be recorded in the federal special revenue fund.

New Proposals

Goals 2000: Educate America Act - Signed into law in late FY94 this act is anticipated to provide $6.2 million for improvement of education. The specific improvements will follow a plan developed by the state panel which is appointed jointly by the Governor and Superintendent of Public Instruction. The federal act requires that 90% of the funds be awarded to school districts with the remaining 10% used by the state. The amount contained here represents the district share, the state share is shown in the Administration Program.

Montana arts and english curricular framework - This a federally funded model program to integrate English and the arts through curriculum, teacher training, certification guidelines and establishment of model schools to pilot the program. The award provides $75,000 each year for state assistance and administrative costs, which is included in the administration program, and $124,000 each year directly to the pilot schools, which is included above.

Funding

The distribution to schools program is funded with a mixture of general fund, school equalization account (SEA), and federal funds. In the table above, items listed as state funded are financed with general fund except SIMMS and $3,908,166 each year of the transportation amount which are funded from the SEA.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Educational Units	$168,975,350	$3,386,246	$5,588,839	$177,950,435	$5,841,973	$10,681,612	$185,498,935
Commissioner of Higher Ed.	32,511,662	3,244,133	-196,637	35,563,158	4,291,217	-193,379	36,609,500
Stations - Research/Service	18,018,385	446,683	-354,899	18,110,169	485,075	-355,459	18,148,001
Pay Plan	0	0	3,498,335	3,498,335		7,210,848	7,210,848
Total Agency Costs	219,505,397	7,077,062	8,535,538	235,122,097	10,618,265	17,343,622	247,467,284
General Fund	109,452,199			111,462,927			116,804,303
Millage - Six	16,956,631			13,709,522	(see below for		14,094,523
Millage - Local	892,000	(see below for		926,160	explanation)		944,682
Tuition	59,667,819	explanation)		73,534,859			79,066,591
Federal	13,067,122			14,298,310			14,571,769
Other	19,469,626			21,190,319			21,985,416
Total Funding Costs	219,505,397	3,386,246	8,727,989	235,122,097	5,841,973	17,163,930	247,467,284

Lump Sum Funding for Educational Units - The Governor recommends "lump sum" funding for the Montana University System (MUS). This recommendation includes one appropriation for the educational units, one appropriation for public service and research stations, and traditional program appropriations for the OCHE (without the community colleges.)

The purpose of "lump sum" funding is to allow the commissioner and the regents flexibility to manage the system. There are concerns within the system that the funds are equitably distributed to individual units relative to their mission, mix of disciplines and level of instruction. The regents have called for a study to compare the "cost of education" across units to determine if a proper balance of funding among units exits.

The summary table above highlights the three lump sum appropriations recommended for the Montana University System (MUS). The educational units section includes the universities, colleges, colleges of technology and community colleges. The stations for research and public service include the Agricultural Experiment Station, Cooperative Extension Service, Forestry and Conservation Station, Fire Services Training School, and Bureau of Mines. The Office of the Commissioner of Higher Education (OCHE) excludes the community colleges (traditionally, the community colleges are displayed as part of the OCHE.)

FUNDING

The funding section is blank for the specific funding of present law base and new proposal columns. The funding of all agencies except the OCHE, is "current unrestricted," which is a pool of general fund, tuition, Federal millage, and other. Although, the revenue being used in current unrestricted is identifiable, the appropriation of a revenue funding source to a specific expenditure is not identifiable. For this reason, the columns for the specific expenditures in the present law base and new proposals can not be explained by specific funding source.

This budget focuses its attention on system needs and gives the Board of Regents the flexibility to manage the system within the parameters established herein.

Educational Units

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
MSU Billings College of Tech.	2,155,014	118,015	-15,243	2,257,786	167,775	-15,266	2,307,523
MT Tech UM Division of Tech.	1,689,027	117,716	-13,071	1,793,672	186,686	-11,728	1,863,985
MSU College of Tech. Great Falls	2,532,861	444,357	-20,135	2,957,083	621,309	-20,376	3,133,794
UM College of Tech. Helena	2,635,124	111,408	-19,526	2,727,006	291,570	-20,380	2,906,314
UM College of Tech. Missoula	2,876,147	487,375	-25,084	3,338,438	653,290	-24,398	3,505,039
University of Montana Missoula	51,944,844	796,811	-491,247	52,250,408	1,349,680	-501,437	52,793,087
Montana State Univ. Bozeman	54,356,082	3,598,735	-467,924	57,486,893	4,356,992	-470,255	58,242,819
Montana Tech of UM	11,163,007	563,883	-82,310	11,644,580	635,901	-82,804	11,716,104
Montana State Univ. Billings	16,414,057	578,394	-156,769	16,835,682	840,723	-162,060	17,092,720
Montana State Univ. Northern	8,901,228	554,642	-77,032	9,378,838	641,848	-78,701	9,464,375
Western Montana College UM	5,331,318	559,584	-53,575	5,837,327	672,233	-54,752	5,948,799
Community Colleges	4,210,862	221,105	0	4,431,967	189,745	1,705,018	6,105,625
Quality Pool	0		4,373,796	4,373,796		5,935,167	5,935,167
System Needs	0		1,394,738	1,394,738		1,796,460	1,796,460
UM UTU agreement	0		1,242,221	1,242,221		2,687,124	2,687,124
FY94 Budget Amendments	4,765,779	-4,765,779		0	-4,765,779		
Pay Plan	0	0	3,139,150	3,139,150		6,482,318	6,482,318
Total Agency Costs	168,975,350	3,386,246	8,727,989	181,089,585	5,841,973	17,163,930	191,981,253
General Fund	90,610,746			92,081,310			97,037,723
Millage - Six	16,956,631			13,709,522	(see below for		14,094,523
Millage - Local	892,000	(see below for		926,160	explanation)		944,682
Tuition	59,667,819	explanation)		73,534,859			79,066,591
Other	848,154			837,734			837,734
Total Funding Costs	168,975,350	3,386,246	8,727,989	181,089,585	5,841,973	17,163,930	191,981,253

Incremental budgeting - Although this budget has been developed using incremental budgeting techniques, its focus is on the educational units as a system. The number that is displayed on a per unit level represents the level appropriated by the Legislature. Present law adjustments are made for resident enrollment changes standard inflationary factors, cost of utilities, janitorial and maintenance for new buildings, pay increases granted in FY95 and a few other minor changes. There are two "pools" to be allocated at the discretion of the regents, one for "quality" improvements and one for "system needs" such as additional maintenance and equipment.

Unit variations - The amounts shown for each specific unit above and present law base adjustments in the total columns for each year may look unusual for a number of reasons. For example, UM appears to have a very slight increase and MSU has a very large increase which is a result of the following factors; 1) UM is projecting a decrease in resident enrollment (with an increase non-resident enrollment), while MSU is projecting increasing resident enrollment, only changes in resident enrollment are reflected in the base numbers, costs relating to and revenues generated from non-resident enrollment growth and conversion of Western Undergraduate Exchange (WUE) enrollments are included in the "quality pool"; 2) MSU used $1.2 million dollars from budget amendment revenue from FY93 in lieu of FY94 appropriation rather than to increase FY94 spending. Therefore, FY94

base expenditures understate expenditures in FY94. This happens to a much lesser degree in some of the other schools.

FUNDING

The funding section is blank for the specific funding of present law base and new proposals. The funding of all agencies is "current unrestricted," which is a pool of general fund, tuition, millage, and other. Although, the revenue being used in current unrestricted is identifiable, the appropriation of a specific funding source to a specific expenditure is not identifiable. For this reason, the columns for the specific expenditures in the present law base and new proposals can not be attributed to a specific funding source.

Present Law Base

Enrollment projections - Enrollment projections were provided by the OCHE and are based on projections made by each unit regarding their expected enrollment in the next five years. This budget accepted these projections and uses them to determine the present law enrollment adjustments. The following table summarizes the projected enrollments for the universities, colleges and colleges of technology to the year 2000. As the table indicates enrollments are beginning a long term pattern of anticipated continual growth. Current estimated growth will peak at nearly 36,000 students in 2005. Efficiently providing educational services for this growing population represents a significant challenge.

Montana University System Student Enrollment Projection

Population	FY96	FY97	FY98	FY99	FY00
Resident					
undergraduate	22,975	23,452	23,917	24,301	24,641
graduate	1,784	1,966	2,145	2,331	2,538
Non-Resident					
undergraduate	4,236	4,646	4,933	5,233	5,554
WUE undergraduate	1,118	665	665	665	665
graduate	508	557	584	618	654
Totals	30,621	31,286	32,244	33,148	34,052

Enrollment adjustments to the present law base - Funding adjustments were given for resident students only. Cost increases relating to non-resident students and conversion of WUE students are covered by the tuition collected from these students which is budgeted in the quality pool.

Funding adjustments for enrollment were based on instruction, student services, and fee waivers which are the activities most significantly impacted by enrollment increases. Physical plant expansion is funded based on the cost of maintaining the added space rather than directly relating to enrollment.

Instructional adjustment - The instructional adjustment was based on the average instructional personal services cost per student times the incremental number of resident students for each fiscal year. The average was determined by the total actual FY94 instructional personal services adjusted for FY95 pay plan divided by the number of budgeted students in FY94.

Student services adjustment - The student services adjustment was based on the average student

services personal services expenditure for MSU and UM. The student service personal services were reduced by the athletic personal services. The average of MSU and UM was used determine an incremental cost of adding students to a college or university. Since UM and MSU are large the average cost should more closely approximate the marginal cost of providing student services.

Fee waivers adjustment - Fee waivers were increased to reflect the increased tuitions from FY94 and increased resident enrollment in order to waive a constant portion of the tuition revenue.

New buildings - During this biennium, new state owned buildings will be added to the campuses of both MSU and UM. Both buildings are expected to be at least partially beneficially occupied in FY96. It should be noted that if lump sum funding is not adopted, the appropriation for moving expenses should be continuing, as not all moving may be complete at fiscal year end.

Gallagher Building for the School of Business Administration at the University of Montana - This classroom and office building is expected to be beneficially occupied in February of 1996, with the building to be completed in the spring of 1996. The moving and equipment expenses associated with this building are expected to be $66,116.

The annual costs for maintenance and operation of the building is expected to be 85% of the current campus wide average for operation and maintenance (adjusted for inflation.) The expected costs are $3.10 per square foot for FY96 (adjusted for occupancy in February) and $3.20 in FY97. The building will be 106,512 square feet.

Engineering and Physical Sciences (EPS) at Montana State University - This laboratory, classroom and office building contains high technology safety and environmentally required systems for a state of the art research facility.

The moving costs associated with this building is estimated to be $253,000.

The expected annual operational cost of this 148,600 square foot facility is $760,096 in FY97 or $569,435 higher than the current facility, Ryon lab. These costs are 36% higher than the current MSU average cost per square foot. The average cost per square foot is expected to be $4.93 in FY96 and $5.12 in FY97.

Tuition - Present law base tuition was also determined by adding tuition for the incremental resident students. Tuition rates used in this calculation were the current FY95 tuition rates charged by the MUS.

New Proposals

Personal Services Reductions - The educational units were required to reduce personal services in order to help fund their pay plan as is the case for all state agencies. In the case of the educational units the reductions cover approximately 30% of the estimated pay plan.

The personal services reductions do not cover the pay plan costs as a result of two policy decisions: 1) the personal services reductions were not applied to instructional faculty and 2) to compensate for the differences between RERS and PPP a reduced savings rate of 2.5% was applied. The net effect to the educational units of these two factors is an overall reduction in personal services of 1%

Although the MUS has not always participated in any vacancy savings or other personal services reduction attempts in state government this significantly reduced level of savings is justified given the recent restructuring within the system. A consultant hired by the system estimated savings from

restructuring of $3.5 to 4 million per year. This proposal is for $1.4 million per year savings in personal services from restructuring and vacancy savings.

Quality Pool - The quality pool includes the projected revenue from tuition that is expected to be collected by the system as a result of enrollment management of non-resident students. While system-wide projections show no real increase in the overall non-resident population overall increased tuition is the result of converting WUE students to non-resident students on a system basis. The following MUS projections demonstrate the overall consistency of the total non-resident population:

MUS Projected Nonresident Student Enrollments

Population	FY94	FY95	FY96	FY97
Non-Resident				
undergraduate	3,269	3,783	4,236	4,646
WUE undergraduate	2,159	1,740	1,118	665
graduate	434	476	508	557
Totals	5,862	5,999	5,862	5,868

System needs - These are needs expressed by the system as a part of the budgeting process. Some of these needs could have been included as present law base adjustments in individual budgets, but as a pool of general fund to be allocated by the regents the entire package fits the new proposal criteria.

The three primary reasons for establishing this pool rather than allocating the resources to specific units are: 1) needs change, and as they do the Regents will have the flexibility to address the new priorities, 2) it re-enforces our goal of lump sum funding, and 3) original budget submissions by the campuses were prepared with different interpretations of directions from the OCHE and OBPP resulting in inconsistent requests. Subsequent discussions between OCHE and OBPP resulted in a short priority list of needs that affected all campuses.

The following list briefly outlines the current priorities:

SYSTEM NEEDS

	FY96	FY97
SummitNet	$175,000	$175,000
Occupational Health and Hazardous Materials Handling	$175,000	$175,000
Buildings and Grounds Maintenance	$300,000	$490,000
Library books	$199,738	$411,460
Equipment	$545,000	$545,000
TOTAL	$1,394,738	$1,796,460

SummitNet - MUS costs are based on the expected incremental costs of the new statewide data

exchange system. Under the new proposal, the MUS is allocated 25% of the total cost of the SummitNet system rather than paying the monthly fee as established by the Department of Administration.

Occupational Health and Hazardous Materials Handling - Increasing requirements for the disposal of hazardous materials handling and occupational health issues, especially in research labs, along with the increasing amount of research being performed on campus are increasing costs in the system. There appears to be significant benefits from addressing this problem as a system. Although each campus will be required to maintain personnel on campus to track and monitor, training and equipment may be addressed on a system or statewide basis.

Buildings and Grounds Maintenance - A specific allocation toward the maintenance of our buildings is critical to address the issues that are creating a growing need on campuses. The recommended increases equate to 13.8% for FY96 and 22.5% for FY97 increase over the FY94 maintenance expenditures.

Library books - Almost all campuses submitted additional inflationary requirements for books. The recommendation is to add 6% per year to the book base budget, which is in addition to the OBPP/LFA approved inflation of 3.8% included in the base budgets of each campus.

Equipment - The budget recommends an additional $545,000 in each year of the biennium. This is a 26% increase over the instructional equipment expenditures in FY94 of $2.1 million.

The University of Montana University Teacher Union agreement - The UM UTU agreement allows for a 6.5% tuition increase to provide for improvements in faculty pay and various other items.

Community College assumption - At the request of the commissioner, the Governor recommends that the state assume the operation and management of the community colleges. At the time of printing the budget book, not all of the details have been settled with regard to this action, but the major factors are detailed below:

1) The implementation date is: July 1, 1996

2) The commissioner of higher education and the executives to the community colleges will bring the legislation required to implement the merger

3) The mission of the community colleges will remain the same

4) The community college presidents will become campus executive officers and each will report as to the following presidents:

Flathead Valley	University of Montana
Miles Community College	Montana State University
Dawson Community College	Montana State University

5) A local board will be advisory. The Regents will be policy making and the presidents' of the units will have managerial responsibilities.

6) The state of Montana will not purchase any buildings. Current liability for debt service will be assumed by the state. Student fees currently collected to offset accrued debt will be continued for the same purpose. No state funding will be

provided for auxiliary operations.

7) The overall funding of the community colleges will be consistent with other educational units of the MUS. In state tuition will be for approximately 29% of the cost of education, non-resident will be at least 100% of the cost of education, a local mill levy of 1.5 mills and general fund will account for the remaining portion of the budget.

8) Endowments and fund raising will remain a campus based activity.

Pay plan - The pay plan figures represent the Governor's recommended 2.5% increase. The pay plan is funded by both tuition and general fund in proportion to tuition's share of the base budget.

Funding

The funding for the educational units is comprised of general fund, millage, tuition and other. The millage comes from two sources, a 1.5 mill levy is collected from each county with a college of technology and the six units are partially funded with a statewide 6 mill levy which is voted on every 10 years. Other revenue includes building rental fees, library fines, indirect costs from student loan services, and other miscellaneous revenues.

Tuition rates are budgeted at the FY95 rates set by the Board of Regents. Revenue estimates are derived by applying enrollment projections to these rates. Resident enrollment changes are reflected in present law base adjustments. Additional revenues resulting from nonresident enrollment changes are appropriated in the 'quality pool'. While there is no budgeted increase in tuition to fund the 1997 biennium budget a small increase, approximately 2%, will be applied to funding a share of the pay increase.

Commissioner of Higher Education

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	84.95	1.00	-9.75	76.20	1.00	-9.75	76.20
Personal Services	2,476,277	379,105	-268,058	2,587,324	389,914	-268,871	2,597,320
Operating Expenses	3,999,950	159,693	75,421	4,235,064	229,144	75,492	4,304,586
Equipment	40,608	-3,738	0	36,870	-8,738	0	31,870
Local Assistance	75,000	4,000	0	79,000	4,000	0	79,000
Grants	7,460,618	544,430	0	8,005,048	644,109	0	8,104,727
Benefits and Claims	15,107,209	1,822,235	0	16,929,444	2,584,071	0	17,691,280
Transfers	3,135,005	449,335	0	3,584,340	565,107	0	3,700,112
Debt Service	216,995	-110,927	0	106,068	-116,390	0	100,605
Total Agency Costs	$32,511,662	$3,244,133	$-192,637	$35,563,158	$4,291,217	$-193,379	$36,609,500
General Fund	6,478,691	312,703	-40,248	6,751,146	315,642	-40,306	6,754,027
Federal Special Revenue Fund	9,028,506	1,205,036	-152,389	10,081,153	1,479,179	-153,073	10,354,612
Proprietary Fund	17,004,465	1,726,394	0	18,730,859	2,496,396	0	19,500,861
Total Funding Costs	$32,511,662	$3,244,133	$-192,637	$35,563,158	$4,291,217	$-193,379	$36,609,500
Administration Program	1,000,557	126,185	-40,248	1,086,494	110,825	-40,306	1,071,076
Student Assistance Program	5,317,087	345,967	0	5,663,054	369,699	0	5,686,786
Dde Mathematics & Sci Ed Act	298,264	19,905	0	318,169	27,859	0	326,123
Mus Group Insurance Program	16,858,210	1,872,649	0	18,730,859	2,642,651	0	19,500,861
Talent Search	465,734	-15,080	75,421	526,075	-14,265	75,492	526,961
C.D. Perkins Admin	5,094,742	765,109	-16,988	5,842,863	949,912	-17,027	6,027,627
Guaranteed Student Loan Pgm	3,080,766	386,540	-210,822	3,256,484	467,111	-211,538	3,336,339
Board Of Regents-admin	33,052	40	0	33,092	70	0	33,122
B Of R Bond Payments	216,995	-110,927	0	106,068	-116,390	0	100,605
Montana Career Info System	146,255	-146,255	0	0	-146,255	0	0
Total Program Costs	$32,511,662	$3,244,133	$-192,637	$35,563,158	$4,291,217	$-193,379	$36,609,500

The Office of the Commissioner of Higher Education along with the university system is restructuring and will have its revised mission statement available in the Office of Budget and Program Planning during the 1995 legislative session.

The office is comprised of several programs, the most visible of which is the administration program which contains the central administration for the Montana University System. The Community Colleges which are traditionally a program in this agency are shown in the Educational Units section of the Montana University System write up on page E13.

5102-01 ADMINISTRATION PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	15.85	.10	-.55	15.40	.10	-.55	15.40
Personal Services	769,171	98,199	-40,248	827,122	101,953	-40,306	830,818
Operating Expenses	227,384	28,138	0	255,522	9,024	0	236,408
Equipment	4,002	-152	0	3,850	-152	0	3,850
Total Agency Costs	1,000,557	$126,185	$-40,248	$1,086,494	$110,825	$-40,306	$1,071,076
General Fund	1,000,557	126,185	-40,248	1,086,494	110,825	-40,306	1,071,076
Total Funding Costs	1,000,557	$126,185	$-40,248	$1,086,494	$110,825	$-40,306	$1,071,076

Present Law Mandates

The Commissioner of Higher Education is created by Article X, Section 9 of the Montana Constitution. Section 20-2-131, MCA, authorizes the Board of Regents to prescribe the duties of the Commissioner.

Present Law Base

Adjustments to base FTE - Adjustments to the base included moving .25 FTE from program 12, guaranteed student loan, to the administrative program and moving .15 FTE from the administrative program to program 05, group insurance, to accurately reflect the responsibilities of the positions. This results in a net increase of .10 FTE in the Administrative program.

Rent - The rent cost at the 2500 Broadway building is higher than the FY94 base rent charge, but less than the rent limit agreed upon in the 1991 legislative session. The following table compares the costs.

Rent at MHESAC Building

	Total Rent	Board of Pub Ed Rent	Net Rent
Rent limit	$84,150		$84,150
FY94	$74,209	$0	$74,209
FY95	$89,596	$0	$89,596
FY96	$89,534	$8,250	$81,284
FY97	$88,746	$8,250	$80,496

In addition to the rent charge, the office is required to make reserve payments of $853.50/month which are offset by reserve interest revenue of approximately $300/month for a net annual reserve payment of approximately $7,000. Although this is a required payment, it is contributing to building a reserve pool which may be used to offset rent expense after 2012.

The rent amount in FY94 was exceptionally low as the bonds were refinanced with lower bond reserve requirements which allowed a reduction in payments in late FY94.

The administration program is responsible for 17.07% of the bond payments and reserves. Likewise, the Guaranteed student loan program is responsible for 27.2% with the remainder the responisibility of MHESAC.

New Proposals

Personal Services Reductions - The recommended reduction in FTE is due the restructuring of the university system. The restructuring is expected to reduce the need for academic administration in this area and the commissioner feels that a reduction of these FTE from 1.8 to 1.25 is consistent with the restructuring. Both positions are in academic administration and are currently vacant at the request of the Governor's task force to renew government to not fill administrative positions whenever possible.

Funding

The administrative program is funded with general fund.

5102-02 STUDENT ASSISTANCE PROGRAM

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Local Assistance	75,000	4,000	0	79,000	4,000	0	79,000
Grants	5,242,087	341,967	0	5,584,054	365,699	0	5,607,786
Total Agency Costs	**5,317,087**	**$345,967**	**$0**	**$5,663,054**	**$369,699**	**$0**	**$5,686,786**
General Fund	5,061,359	296,695	0	5,358,054	320,427	0	5,381,786
Federal Special Revenue Fund	255,728	49,272	0	305,000	49,272	0	305,000
Total Funding Costs	**5,317,087**	**$345,967**	**$0**	**$5,663,054**	**$369,699**	**$0**	**$5,686,786**

Present Law Mandates

The Commissioner of Higher Education is required to administer the resident student financial assistance program in Chapter 26 of Title 20, MCA. The Western Regional Higher Education Compact is approved in Sections 20-25-801 through 806, MCA. This compact allows for reciprocal agreements with member states for the enrollment of students.

Present Law Base

Student Assistance Programs - Actual FY94 and recommended FY96 and FY97 student assistance program funding is detailed in the following table.

Student Assistance Programs

Assistance Program	FY94	FY95	FY96
WICHE	$1,617,168	$1,349,866	$1,230,133
WAMI	2,241,276	2,391,780	2,519,700
Minnesota Dental	79,200	83,400	85,800
SSIG	440,650	440,000	440,000
Perkins	121,765	270,000	270,000
SEOG	282,028	390,000	390,000

Work Study	500,000	653,008	666,153
Paul Douglas	55,000	85,000	85,000
Total	$5,317,087	$5,663,054	$5,686,786

WICHE/WAMI and Minnesota Dental - The annual cost of these programs is lower than the FY94 base year as a result of legislative action in HB2 in the 1993 regular session.

In the 1993 legislative session, funding for the veterinary program was a controversial issue. Initially, funding in veterinary medicine was reduced to four beginning students in FY94 and five beginning students in FY95. By the time the decision was made to eliminate partial funding in each year of the biennium, nine students had received acceptances into veterinary school for the 1993-94 academic year. The legislature then changed the funding allocation to support nine beginning students for FY94 and no beginning students for FY95.

If no beginning veterinary students had been funded for FY95 and subsequent years, the necessary appropriation to fund continuing students in FY96 would be $386,000 and in FY97 $199,000. Montana's participation in the WICHE veterinary medicine program would then be phased out by FY98.

In FY95, the commissioner funded three beginning veterinary students by reallocating WICHE funds from other fields that were unable to place Montana Applicants for the 1994-95 academic year. Given the uncertainty of legislative intent, we have determined that an ongoing appropriation of five beginning veterinary students each year of the biennium would be consistent with present law.

Perkins Loan - The present law base has been increased to $270,000 which is the level the system received in FY95.
SEOG - The present law base has been increased from $282,028 to $390,000 which is the level campuses received in FY95.
Montana Work Study - The present law base has been increased to accommodate for increased levels of tuition and projected enrollment.

Funding
Funding for student assistance is combination of general fund and federal funds. WICHE/WAMI and Minnesota Dental are funded with general fund. Perkins Loans and SEOG are funded with 75% federal funds on the campus and 25% from general fund through this program.
SSIG is a mix of 50% federal funding and 50% general fund. Work study is 70% general fund and 30% employer match. The employer is also responsible for any benefits for the student.

5102-03 DDE MATHEMATICS & SCI ED ACT

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Personal Services	13,198	-13,198	0	0	-13,198	0	0
Operating Expenses	2,264	0	0	2,264	0	0	2,264
Grants	282,802	33,103	0	315,905	41,057	0	323,859
Total Agency Costs	**298,264**	**$19,905**	**$0**	**$318,169**	**$27,859**	**$0**	**$326,123**
Federal Special Revenue Fund	298,264	19,905	0	318,169	27,859	0	326,123
Total Funding Costs	**298,264**	**$19,905**	**$0**	**$318,169**	**$27,859**	**$0**	**$326,123**

Present Law Base

D.D. Eisenhower Math and Science Grants - The federal grant is expected to grow at the last four years average of 2.5% per year.

Funding

D.D. Eisenhower Math and Science grants are funded with federal grants.

5102-05 MUS GROUP INSURANCE PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	3.50	.15	.00	3.65	.15	.00	3.65
Personal Services	110,912	12,253	0	123,165	12,697	0	123,609
Operating Expenses	1,637,415	39,635	0	1,677,050	47,357	0	1,684,772
Equipment	2,674	-1,474	0	1,200	-1,474	0	1,200
Benefits and Claims	15,107,209	1,822,235	0	16,929,444	2,584,071	0	17,691,280
Total Agency Costs	**16,858,210**	**$1,872,649**	**$0**	**$18,730,859**	**$2,642,651**	**$0**	**$19,500,861**
Proprietary Fund	16,858,210	1,872,649	0	18,730,859	2,642,651	0	19,500,861
Total Funding Costs	**16,858,210**	**$1,872,649**	**$0**	**$18,730,859**	**$2,642,651**	**$0**	**$19,500,861**

Present Law Mandates

Functions administered by the Group Insurance Program are mandated or otherwise governed by the following state statutes: 2-18-808 through 815, MCA. The Board of Regents is authorized to provide group benefits for employees of the Montana University System by Section 2-18-815, MCA.

Present Law Base

Projected claim expense - The projected claims are from the projections of the program director based on his consultation with an actuary.

Funding

MUS Group Insurance is funded with proprietary funds received from employee and employer insurance contributions.

5102-06 TALENT SEARCH

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	10.95	.00	.00	10.95	.00	.00	10.95
Personal Services	352,100	-13,276	0	338,824	-12,763	0	339,337
Operating Expenses	111,508	322	75,421	187,251	624	75,492	187,624
Equipment	2,126	-2,126	0	0	-2,126	0	0
Total Agency Costs	**465,734**	**$-15,080**	**$75,421**	**$526,075**	**$-14,265**	**$75,492**	**$526,961**
General Fund	87,438	0	0	87,438	0	0	87,438
Federal Special Revenue Fund	378,296	-15,080	75,421	438,637	-14,265	75,492	439,523
Total Funding Costs	**465,734**	**$-15,080**	**$75,421**	**$526,075**	**$-14,265**	**$75,492**	**$526,961**

Present Law Base

Reallocation - In FY94 this program reallocated funds from operating expenses to personal services to increase the hours of part time employees.

New Proposals

Additional grant funds - The program director is seeking additional grant funds with which she would like to expand the services provided through her program. Because of the uncertainty of receiving this grant we have not applied any related administrative cost funds to pay a portion of the administration program. Language should be added in the appropriations bill to require that increased administrative cost money as a result of the additional grant be used to offset general fund appropriated for administrative costs.

Funding

Talent Search is funded with federal grants. Minority achievement (a part of this program) is funded with general fund.

5102-08 C.D. PERKINS ADMIN

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	3.20	.00	-.20	3.00	.00	-.20	3.00
Personal Services	124,166	-2,342	-16,988	104,836	-2,207	-17,027	104,932
Operating Expenses	46,097	2,501	0	48,598	3,404	0	49,501
Grants	1,935,729	169,360	0	2,105,089	237,353	0	2,173,082
Transfers	2,988,750	595,590	0	3,584,340	711,362	0	3,700,112
Total Agency Costs	**5,094,742**	**$765,109**	**$-16,988**	**$5,842,863**	**$949,912**	**$-17,027**	**$6,027,627**
General Fund	79,290	710	0	80,000	710	0	80,000
Federal Special Revenue Fund	5,015,452	764,399	-16,988	5,762,863	949,202	-17,027	5,947,627
Total Funding Costs	**5,094,742**	**$765,109**	**$-16,988**	**$5,842,863**	**$949,912**	**$-17,027**	**$6,027,627**

Present Law Mandates

Carl Perkins federal vocational education funding is granted under the authority of Public Law 101-392 which describes the requirements for state program participation.

Present Law Base

C.D. Perkins Administration - The grant is expected to increase by 3.5% per year over the FY95 level plus a $500,000 carry over from the 1995 biennium.

New Proposals

Personal Services Reduction - Total personal services are reduced by $16,988 in FY96 and $17,027 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan. This is a portion of a 5% agencywide reduction in personal service costs.

Funding

C.D. Perkins Administration is funded with 75% federal funds and 25% general fund match. The general fund match is in part made up by services provided from the administration program and in part from the general fund in this program.

5102-12 GUARANTEED STUDENT LOAN PGM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	49.45	2.75	-9.00	43.20	2.75	-9.00	43.20
Personal Services	1,098,480	297,469	-210,822	1,185,127	303,432	-211,538	1,190,374
Operating Expenses	1,950,480	89,057	0	2,039,537	168,665	0	2,119,145
Equipment	31,806	14	0	31,820	-4,986	0	26,820
Total Agency Costs	**3,080,766**	**$386,540**	**$-210,822**	**$3,256,484**	**$467,111**	**$-211,538**	**$3,336,339**
Federal Special Revenue Fund	3,080,766	386,540	-210,822	3,256,484	467,111	-211,538	3,336,339
Total Funding Costs	**3,080,766**	**$386,540**	**$-210,822**	**$3,256,484**	**$467,111**	**$-211,538**	**$3,336,339**

Present Law Mandates

The Guaranteed Student Loan Program is established and assigned duties under Sections 20-26-1101 through 1111, MCA. The program also operates under regulations and mandates found in federal Title IV of the Higher Education Act of 1965.

Present Law Base

Replacement of Federal Family Education Loan Program (FFELP) with the Federal Direct Student Loan Program (FDSLP) - The Montana Guaranteed Student Loan Program (MGSLP) administers the FFELP for the state of Montana. Beginning July 1, 1994, the federal government is implementing a new loan program, the FDSLP. Over a five year period, 60-100% of the student loan volume is expected to be made under the new FDSLP and may eventually replace the FFELP in Montana. The FDSLP will be administered by the U.S. Department of Education, the schools, and private national contractors for the Department of Education.

MGSLP services a large outstanding portfolio of loans under the FFELP. Despite the loss of new loan volume as a result of FDSLP, MGSLP expects to continue servicing these loans throughout repayment, and, in the event a claim is filed, throughout post-claim activities. As the outstanding loan volume decreases MGSLP will experience reductions in many of its operating expenses.

Montana State University (MSU) began offering FDSLP loans to its new borrowers for the 1994 fall term. Students at MSU with preexisting FFELP loans continued to receive student loans under the FFELP. After the first semester of the 1994-95 academic year, increase in loan volumes under the FFELP at other schools have more than offset the loss of loan volume caused by MSU's new borrowers receiving FDSLP loans. During the 1995-96 academic year, MSU anticipates that all their student loans will be made under the FDSLP.

After the first year of MSU offering direct loans, the Montana Board of Regents will review the operations of the FDSLP before giving authorization to the other state campuses to apply for the FDSLP. The earliest the remaining campuses would implement direct lending is fall term, 1996. At this time, each campus could make 100% of their loans under the FDSLP.

With the loss of new loan guarantees in the FFELP, MGSLP will cut staff positions which are involved with the initial application and disbursement activities. Approximately two-thirds of the staff service the repayment and post-claim loans. They will continue to be needed to service the outstanding portfolio. Several authorized and vacated positions have not been filled by MGSLP and will be eliminated.

New Proposals

Personal Services Reduction - Total personal services are reduced by $210,822 in FY96 and $211,538 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan. This is a portion of a 5% agencywide reduction in personal service costs.

Funding

Guaranteed Student Loan is funded with federal revenue for the loan services they provide.

5102-13 BOARD OF REGENTS-ADMIN

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Personal Services	8,250	0	0	8,250	0	0	8,250
Operating Expenses	24,802	40	0	24,842	70	0	24,872
Total Agency Costs	33,052	$40	$ 0	$ 33,092	$70	$ 0	$ 33,122
General Fund	33,052	40	0	33,092	70	0	33,122
Total Funding Costs	33,052	$40	$ 0	$ 33,092	$70	$ 0	$ 33,122

Present Law Mandates

The Board of Regents is created by Article X, Section 9 of the Montana Constitution. Section 20-25-301, MCA, describes the powers and duties of the Board of Regents.

Present Law Base

The Board of Regents has a small budget to primarily to cover per diem, lodging and travel expenses of the board members.

Funding

The board of regents program is funded with general fund.

5102-14 B OF R BOND PAYMENTS

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	.00	.00	.00	.00	.00	.00	.00
Debt Service	216,995	-110,927	0	106,068	-116,390	0	100,605
Total Agency Costs	216,995	$-110,927	$0	$106,068	$-116,390	$0	$100,605
General Fund	216,995	-110,927	0	106,068	-116,390	0	100,605
Total Funding Costs	216,995	$-110,927	$0	$106,068	$-116,390	$0	$100,605

Present Law Mandates

The bond payments are required under bond indentures issued and assumed by the State when Vocational Technical centers were brought under state control.

Present Law Base

The Board of Regents bond payments - These payments are to pay off the bonds on the buildings that the state assumed when the legislature put the vocational technical centers in the Montana University System. The payments continue only for the now Montana State University College of Technology Billings. The payments have ended for Great Falls and the Butte Division of Technology bond payments were refinanced by the state thereby reducing the total annual payments in this

program.

Funding

The board of regents bond payment program is funded with general fund.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Bureau of Mines	1,872,036	189,020	-27,143	2,033,913	190,822	-27,166	2,035,752
Agricultural Experiment Station	10,071,315	129,086	-210,293	9,990,108	163,317	-210,744	10,023,888
Cooperative Extension Service	4,965,579	261,606	-117,463	5,109,722	264,916	-117,549	5,112,946
Forestry Conservation Exp Sta	684,610	38,313		722,923	39,250		723,860
Fire Services Training School	244,532	8,971		253,503	7,023		251,555
Budget Amendments	180,313	-180,313			-180,313		
Pay Plan			359,185	359,185		728,530	728,530
Total Agency Costs	18,018,385	446,683	4,286	18,469,354	485,075	373,071	18,876,531
General Fund	12,333,305	301,674	-4,508	12,630,471	336,705	342,543	13,012,553
Station revenues	1,617,007	-4,075	8,794	1,621,726	-714	30,528	1,646,821
Federal	4,068,073	149,084		4,217,157	149,084		4,217,157
Tota, Agency Costs	18,018,385	446,683	4,286	18,469,354	485,075	373,071	18,876,531

Lump Sum Funding for Educational Units - The Governor recommends "lump sum" funding for the MUS. This recommendation includes one appropriation for the educational units, one appropriation for the stations, and traditional program appropriations for the OCHE (without the community colleges.) The purpose of "lump sum" funding is to allow the commissioner and the regents flexibility to manage the system. The stations for research and public service include the Agricultural Experiment Station, Extension Service, Forestry and Conservation Station, Fire Services Training School, and Bureau of Mines.

The lump sum recommendation for public service and the research stations is summarized in the above table and detailed for each station in the following sections.

Pay plan expenditures listed in the above table represent the public service and research station share of a 2.5 percent annual pay increase. The amounts are listed here for illustration purposes only and will be appropriated in separate legislation from the general appropriations act.

Research in the Montana University System - In addition to the research stations MSU, UM, Mt Tech of UM have significant research departments. The University system as a whole expended $50.4 million on research in FY94 as shown in the table on the following page. Funding for this research was derived 57% from federal, local and private grants while 43% was supported by state aid and revenues earned from the sales of research stations. State aid includes $10.7 million general fund appropriated for research as well as $5.1 million indirect cost revenues which the state reinvests in research.

Montana University System FY94 Research Spending	
Unit/Source	Millions
Educational Units	$36.6
Research Stations	13.8
Total	$50.4
State Funding	
General Fund	$10.7
Indirect Cost Funds	5.1
State Grants	3.7
Sales and Service Revenues	2.1
Federal, Private, and Local Funding	28.7
Total	$50.4

5105-11 BUREAU OF MINES

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	37.59	.60	.00	38.19	.60	.00	38.19
Personal Services	1,378,610	138,650	-27,143	1,490,117	139,572	-27,166	1,491,016
Operating Expenses	366,505	91,717	0	458,222	92,657	0	459,162
Equipment	112,625	-41,347	0	71,278	-41,347	0	71,278
Debt Service	14,296	0	0	14,296	0	0	14,296
Total Agency Costs	**1,872,036**	**$189,020**	**$-27,143**	**$2,033,913**	**$190,882**	**$-27,166**	**$2,035,752**
General Fund	0	0	1,323,913	1,323,913	0	1,325,752	1,325,752
Federal Special Revenue Fund	0	0	666,000	666,000	0	666,000	666,000
Proprietary Fund	0	0	44,000	44,000	0	44,000	44,000
Current Unrestricted Fund	1,872,036	189,020	-2,061,056	0	190,882	-2,062,918	0
Total Funding Costs	**1,872,036**	**$189,020**	**$-27,143**	**$2,033,913**	**$190,882**	**$-27,166**	**$2,035,752**

Present Law Mandates

Section 20-25-211, MCA, requires the establishment of the bureau. Duties designated to the bureau in section 20-25-212, MCA, include compiling statistics relative to Montana geology, study of mining, milling, and smelting, and examination of state land regarding its geology and mineral value.

Present Law Base

Personal services - Personal services increase $24,782 in FY96 and $24,796 in FY97 due to a 1.5% pay increase which becomes effective in January 1995 and a $240 per employee increase in health insurance from the FY94 level.

Inflation/deflation and fixed costs - Adjustments for inflation add $6,160 in FY96 and $10,086 in FY97.

Groundwater monitoring - The groundwater monitoring program which is funded from the Resource Indemnity Tax was reduced in FY94 due to a shortfall in revenue caused by the exclusion of metal mines tax. Corrective legislation is being proposed and the budget for this program is reestablished to the level set in the 1993 legislature of $666,000 each year.

New Proposals

Personal Services Reduction - Vacancy savings of 2.5% is applied generating $27,143 in FY96 and $27,166 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan.

Funding

The bureau is funded from general fund, $44,000 each year, generated from charges for maps and laboratory tests, and $666,000 each year from resource indemnity taxes. The RIT funds support the groundwater monitoring activities of the bureau.

Agricultural Experiment Station

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	231.80	-.01	.00	231.79	-.01	.00	231.79
Personal Services	8,329,162	82,536	-210,293	8,201,405	100,603	-210,744	8,219,021
Operating Expenses	1,470,443	55,579	0	1,526,022	72,113	0	1,542,556
Equipment	249,963	862	0	250,825	492	0	250,455
Capital Outlay	11,665	-11,665	0	0	-11,665	0	0
Debt Service	10,082	1,774	0	11,856	1,774	0	11,856
Total Agency Costs	**10,071,315**	**$129,086**	**$-210,293**	**$9,990,108**	**$163,317**	**$-210,744**	**$10,023,888**
General Fund	0	0	7,176,913	7,176,913	0	7,207,415	7,207,415
Federal Special Revenue Fund	0	0	1,922,589	1,922,589	0	1,922,589	1,922,589
Proprietary Fund	0	0	890,606	890,606	0	893,884	893,884
Current Unrestricted Fund	10,071,315	129,086	-10,200,401	0	163,317	-10,234,632	0
Total Funding Costs	**10,071,315**	**$129,086**	**$-210,293**	**$9,990,108**	**$163,317**	**$-210,744**	**$10,023,888**
Organized Research	9,580,782	109,159	-210,293	9,479,648	140,029	-210,744	9,510,067
Us Range Station	490,533	19,927	0	510,460	23,288	0	513,821
Total Program Costs	**10,071,315**	**$129,086**	**$-210,293**	**$9,990,108**	**$163,317**	**$-210,744**	**$10,023,888**

MISSION STATEMENT: To conduct research relating to agriculture, natural resources and rural life, and to diffuse the information acquired among the people of Montana. The MAES is the agricultural research component of the land grant university's tri-partite mission of teaching, research and service.

Present Law Mandates

The experiment station is established by section 20-25-222, MCA. Duties assigned in sections 20-25-225 though 20-25-236, MCA, include conducting studies relating to agriculture, natural resources, and rural life, operating experimental farms, operating the Montana Wool Laboratory, and operating the Montana Seed Laboratory.

Present Law Base

Personal services - Personal services increase $159,518 in FY96 and $159,736 in FY97 due to a 1.5% pay increase which becomes effective in January 1995 and a $240 per employee increase in health insurance from the FY94 level.

Inflation/deflation and fixed costs - Adjustments for inflation and fixed costs, which include insurance, warrant writing fees, state funds cost allocations, and audit, add $61,844 in FY96 and $78,378 in FY97.

New Proposals

Personal Services Reduction - Vacancy savings of 2.5% is applied generating $210,393 in FY96 and $210,744 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan.

Funding

The experiment station is supported by general fund, $1,922,589 annually from federal Hatch Act and Regional Research funds, $392,472 annually from earnings from sales of crops and livestock, and $510,460 in FY96 and $513,821 in FY97 from livestock sales of the Livestock and Range Research Station at Miles City. The Miles City station is jointly operated with the federal government, with the state contribution being the revenue from livestock sales.

Extension Service

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	117.67	-.09	.00	117.58	-.09	.00	117.58
Personal Services	4,415,258	248,374	-117,463	4,546,169	251,837	-117,549	4,549,546
Operating Expenses	497,419	21,171	0	518,590	21,018	0	518,437
Equipment	44,963	0	0	44,963	0	0	44,963
Debt Service	7,939	-7,939	0	0	-7,939	0	0
Total Agency Costs	**4,965,579**	**$261,606**	**$-117,463**	**$5,109,722**	**$264,916**	**$-117,549**	**$5,112,946**
General Fund	0	0	2,815,154	2,815,154	0	2,818,378	2,818,378
Federal Special Revenue Fund	0	0	2,294,568	2,294,568	0	2,294,568	2,294,568
Current Unrestricted Fund	4,965,579	261,606	-5,227,185	0	264,916	-5,230,495	0
Total Funding Costs	**4,965,579**	**$261,606**	**$-117,463**	**$5,109,722**	**$264,916**	**$-117,549**	**$5,112,946**
Public Service	4,965,579	261,606	-117,463	5,109,722	264,916	-117,549	5,112,946
Total Program Costs	**4,965,579**	**$261,606**	**$-117,463**	**$5,109,722**	**$264,916**	**$-117,549**	**$5,112,946**

MISSION STATEMENT: The Montana State University Extension Service is an educational resource dedicated to improving people's lives by providing research-based knowledge to strengthen the social, economic, and environmental well-being of families, communities, and agricultural enterprises.

Present Law Mandates

The extension service is assigned duties in Chapter 25 of Title 20, MCA.

Present Law Base

Personal services - Personal services increase $94,935 in FY96 and $94,986 in FY97 due to a 1.5% pay increase which becomes effective in January 1995 and a $240 per employee increase in health insurance from the FY94 level. In FY94 the extension service experienced vacancy savings of nearly 5%. The base adjustment brings personal services to the fully funded level.

Inflation/deflation and fixed costs - Adjustments for inflation and fixed costs, which include insurance, warrant writing fees, and audit, add $21,171 in FY96 and $21,018 in FY97.

New Proposals

Personal Services Reduction - Vacancy savings of 2.5% is applied generating $117,463 in FY96 and $117,549 in FY97 in order to provide adequate funding for the proposed 1997 biennium pay plan.

Funding

The extension service is supported by general fund and federal Smith-Lever Act funds. A portion of county agent salaries is paid from county funds, however, these funds are not a part of the budget.

Forestry Conserv Station

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	15.27	.03	.00	15.30	.03	.00	15.30
Personal Services	589,900	38,760	0	628,660	39,371	0	629,271
Operating Expenses	88,904	-447	0	88,457	-121	0	88,783
Equipment	5,806	0	0	5,806	0	0	5,806
Total Agency Costs	**684,610**	**$38,313**	**$0**	**$722,923**	**$39,250**	**$0**	**$723,860**
General Fund	0	0	722,923	722,923	0	723,860	723,860
Current Unrestricted Fund	684,610	38,313	-722,923	0	39,250	-723,860	0
Total Funding Costs	**684,610**	**$38,313**	**$0**	**$722,923**	**$39,250**	**$0**	**$723,860**
Research	684,610	38,313	0	722,923	39,250	0	723,860
Total Program Costs	**684,610**	**$38,313**	**$0**	**$722,923**	**$39,250**	**$0**	**$723,860**

MISSION STATEMENT: To carry out research on the forests and forest land resources of Montana.

Present Law Mandates

The station is established in 20-25-241, MCA. Purposes as outlined in 20-25-242, MCA, include studies of forest land resources, timber, and relationships between forests and water, pasturage, and recreation.

Present Law Base

Personal services - Personal services increase $11,283 in FY96 and $11,292 in FY97 due to a 1.5% pay increase which becomes effective in January 1995 and a $240 per employee increase in health insurance from the FY94 level. The station experienced vacancy savings exceeding 4% in FY94. The base adjustment brings personal services to the fully funded level.

Fire Services Training School

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	5.44	.00	.00	5.44	.00	.00	5.44
Personal Services	199,139	4,974	0	204,113	5,227	0	204,366
Operating Expenses	27,839	3,997	0	31,836	1,796	0	29,635
Equipment	17,554	0	0	17,554	0	0	17,554
Total Agency Costs	**244,532**	**$8,971**	**$0**	**$253,503**	**$7,023**	**$0**	**$251,555**
General Fund	0	0	253,503	253,503	0	251,555	251,555
Current Unrestricted Fund	244,532	8,971	-253,503	0	7,023	-251,555	0
Total Funding Costs	**244,532**	**$8,971**	**$0**	**$253,503**	**$7,023**	**$0**	**$251,555**
Public Service	244,532	8,971	0	253,503	7,023	0	251,555
Total Program Costs	**244,532**	**$8,971**	**$0**	**$253,503**	**$7,023**	**$0**	**$251,555**

MISSION STATEMENT: To facilitate the education, training and professional development of the fire services in Montana to meet or exceed the standards adopted by the Fire Services Training Advisory Council.

Present Law Mandates

The school is created in Chapter 31 of Title 20, MCA. Purposes are stated in section 20-31-103, MCA, and include coordination of fire services training in the state, providing testing and certification for personnel and apparatus, and providing professional training to fire service personnel.

Present Law Base

Personal services - Personal services increase $3,943 in FY96 and $3,947 in FY97 due to a 1.5% pay increase which becomes effective in January 1995 and a $240 per employee increase in health insurance from the FY94 level.

Inflation/deflation and fixed costs - Adjustments for inflation and fixed costs, which include insurance, warrant writing fees, and audit, add $3,438 in FY96 and $140 in FY97.

Board of Public Education

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	4.00	.00	.00	4.00	.00	.00	4.00
Personal Services	143,666	3,462	0	147,128	4,060	0	147,726
Operating Expenses	49,425	14,010	0	63,435	11,055	0	60,480
Equipment	4,701	-4,701	0	0	-4,701	0	0
Total Agency Costs	**197,792**	**$12,771**	**$0**	**$210,563**	**$10,414**	**$0**	**$208,206**
General Fund	110,912	6,084	0	116,996	5,042	0	115,954
State Special Revenue Fund	86,880	6,687	0	93,567	5,372	0	92,252
Total Funding Costs	**197,792**	**$12,771**	**$0**	**$210,563**	**$10,414**	**$0**	**$208,206**
Administration	120,431	6,601	0	127,032	5,469	0	125,900
Advisory Council	77,361	6,170	0	83,531	4,945	0	82,306
Total Program Costs	**197,792**	**$12,771**	**$0**	**$210,563**	**$10,414**	**$0**	**$208,206**

MISSION STATEMENT: To exercise "general supervision over the public school system", govern the Montana School for the Deaf and the Blind and, together with the Board of Regents, do the general planning, coordinating, and evaluation of the state's educational system. The Certification Standards and Practices Advisory Council investigates and advises the board on matters related to teacher, school administrator, and specialist certification of individuals admitted to practice in the elementary and secondary schools of Montana.

5101-01 ADMINISTRATION

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	2.00	.00	.00	2.00	.00	.00	2.00
Personal Services	88,069	2,459	0	90,528	2,823	0	90,892
Operating Expenses	29,515	6,989	0	36,504	5,493	0	35,008
Equipment	2,847	-2,847	0	0	-2,847	0	0
Total Agency Costs	**120,431**	**$6,601**	**$0**	**$127,032**	**$5,469**	**$0**	**$125,900**
General Fund	110,912	6,084	0	116,996	5,042	0	115,954
State Special Revenue Fund	9,519	517	0	10,036	427	0	9,946
Total Funding Costs	**120,431**	**$6,601**	**$0**	**$127,032**	**$5,469**	**$0**	**$125,900**

Present Law Mandates
The Board of Public Education is created by Article X, Section 9, of the Montana Constitution and charged with exercising general supervision of the public school system.

Present Law Base
Personal Services - The increase in personal services is due to a 1.5% pay increase which becomes effective in January 1995 and a $900 increase in per diem for members of the board. The increase in per diem is based on full board attendance at 7 meetings each year.
Inflation/deflation and fixed costs - Adjustments for inflation and fixed costs, which includes audits by the Legislative Auditor, computer network fees, warrant writing, payroll, insurance, and state funds cost recovery adds $1895 in FY96 and $399 in FY97. The difference between years is accounted for by the audit which is budgeted fully in FY96.
Rent - In prior years rent has been budgeted in the Office of Commissioner of Higher Education. However in response to a recommendation of the Legislative Auditor rent is now budgeted at $4,125 in the Board's budget.

5101-03 ADVISORY COUNCIL

		Fiscal Year 1996			Fiscal Year 1997		
	FY94 Base	Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	2.00	.00	.00	2.00	.00	.00	2.00
Personal Services	55,597	1,003	0	56,600	1,237	0	56,834
Operating Expenses	19,910	7,021	0	26,931	5,562	0	25,472
Equipment	1,854	-1,854	0	0	-1,854	0	0
Total Agency Costs	**77,361**	**$6,170**	**$0**	**$83,531**	**$4,945**	**$0**	**$82,306**
State Special Revenue Fund	77,361	6,170	0	83,531	4,945	0	82,306
Total Funding Costs	**77,361**	**$6,170**	**$0**	**$83,531**	**$4,945**	**$0**	**$82,306**

Present Law Mandates
The advisory council is created in Section 2-15-1522, MCA, with duties described in Section 20-4-133, MCA. These duties include making recommendations to the Board of Public Education regarding precertification training, education requirements, and renewal certification requirements for teachers, administrators, and specialists. The council is required to annually submit its recommendations to the Board of Public Education.

Present Law Base
Personal Services - The increase in personal services is due to a 1.5% pay increase which becomes effective in January 1995 and a $200 increase in per diem for members of the board. The increase in per diem is based on full council attendance at four meetings each year.
Inflation/Deflation and Fixed Costs - Adjustments for inflation and fixed costs, which include audits by the Legislative Auditor, computer network fees, warrant writing, payroll, insurance, and state funds cost recovery add $1927 in FY96 and $468 in FY97. The difference between years is accounted for by the audit which is budgeted fully in FY96.
Rent - In prior years rent has been budgeted in the Office of Commissioner of Higher Education. However, in response to a recommendation of the Legislative Auditor, rent is now budgeted at $4,125 in the Council's budget.

Funding

The Advisory Council is funded from fees charged to teachers for certification.

School for the Deaf and Blind

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	81.68	.00	-2.41	79.27	.00	-2.41	79.27
Personal Services	2,361,623	465,741	-136,504	2,690,860	468,314	-136,685	2,693,252
Operating Expenses	390,626	87,663	0	478,289	64,687	0	455,313
Equipment	25,334	24,529	0	49,863	-24,000	0	1,334
Capital Outlay	9,586	1	0	9,587	1	0	9,587
Transfers	4,900	0	0	4,900	0	0	4,900
Debt Service	7,901	-7,901	0	0	-7,901	0	0
Total Agency Costs	**2,799,970**	**$570,033**	**$-136,504**	**$3,233,499**	**$501,101**	**$-136,685**	**$3,164,386**
General Fund	2,490,611	323,846	73,528	2,887,985	254,967	73,294	2,818,872
State Special Revenue Fund	228,382	255,650	-210,032	274,000	255,597	-209,979	274,000
Federal Special Revenue Fund	80,977	-9,463	0	71,514	-9,463	0	71,514
Total Funding Costs	**2,799,970**	**$570,033**	**$-136,504**	**$3,233,499**	**$501,101**	**$-136,685**	**$3,164,386**
Administration Program	167,588	76,283	-9,249	234,622	45,922	-9,283	204,227
General Services Program	279,455	21,590	-25,132	275,913	16,738	-25,086	271,107
Student Services	810,475	92,554	-38,002	865,027	72,570	-38,148	844,897
Education	1,542,452	379,606	-64,121	1,857,937	365,871	-64,168	1,844,155
Total Program Costs	**2,799,970**	**$570,033**	**$-136,504**	**$3,233,499**	**$501,101**	**$-136,685**	**$3,164,386**

MISSION STATEMENT: To provide to hearing impaired and visually impaired individuals a quality comprehensive education that will provide the opportunities to enable them to achieve their greatest potential of independence and success; and to serve as a resource center providing information, consultation, technical assistance and leadership to (1) parents of handicapped individuals not yet enrolled in an educational program, (2) to public schools of the state having such handicapped individuals enrolled, and (3) to organizations and individuals concerned with services to similarly impaired people.

5113-01 ADMINISTRATION PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	5.00	.00	.00	5.00	.00	.00	5.00
Personal Services	141,171	43,419	-9,249	175,341	44,223	-9,283	176,111
Operating Expenses	24,796	31,466	0	56,262	3,320	0	28,116
Equipment	1,621	1,398	0	3,019	-1,621	0	0
Total Agency Costs	**167,588**	**$76,283**	**$-9,249**	**$234,622**	**$45,922**	**$-9,283**	**$204,227**
General Fund	167,588	76,283	-9,249	234,622	45,922	-9,283	204,227
Total Funding Costs	**167,588**	**$76,283**	**$-9,249**	**$234,622**	**$45,922**	**$-9,283**	**$204,227**

Present Law Mandates

Section 20-8-113, MCA, requires the superintendent to administer the programs and functions of the school and to prepare and submit summaries and reports as requested by the Board of Public Education.

Present Law Base

Personal services - Personal services increase $3,724 in FY96 and $3,736 in FY97 due to a 1.5% pay increase which becomes effective in January 1995 and a $240 per employee increase in health insurance from the FY94 level. FY94 personal service expenditures included $2,242 for termination pay. In addition personal service costs for the superintendent increase approximately $47,000 from the FY94 actual expenditures as the position was vacant for most of the year.

Inflation/deflation and fixed costs - Adjustments for inflation and fixed costs, which includes insurance, charges for audit by the Legislative Auditor, warrant writing fees, and payroll service fees, add $31,085 in FY96 and $2,939 in FY97. The difference between years is accounted for by the audit which is budgeted fully in FY96.

New Proposals

Personal Services Reduction - Vacancy savings of $9,249 in FY96 and $9,283 in FY97 is taken to contribute to an agencywide personal services reduction of 5% in order to provide adequate funding for the proposed 1997 biennium pay plan.

5113-02 GENERAL SERVICES PROGRAM

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	4.00	.00	-1.00	3.00	.00	-1.00	3.00
Personal Services	109,544	-1,739	-25,132	82,673	-1,936	-25,086	82,522
Operating Expenses	153,626	17,327	0	170,953	20,472	0	174,098
Equipment	1,799	6,001	0	7,800	-1,799	0	0
Capital Outlay	9,586	1	0	9,587	1	0	9,587
Transfers	4,900	0	0	4,900	0	0	4,900
Total Agency Costs	**279,455**	**$21,590**	**$-25,132**	**$275,913**	**$16,738**	**$-25,086**	**$271,107**
General Fund	279,455	21,590	-25,132	275,913	16,738	-25,086	271,107
Total Funding Costs	**279,455**	**$21,590**	**$-25,132**	**$275,913**	**$16,738**	**$-25,086**	**$271,107**

Present Law Mandates

Section 20-8-113, MCA, while not specifically mandating this program, indicates maintaining a safe/clean environment for students and staff is an essential ingredient to the efficient and effective administration of all functions and programs at the school.

Present Law Base

Personal services - Personal services increase $2,390 in FY96 and $2,387 in FY97 due to a 1.5% pay increase which becomes effective in January 1995 and a $240 per employee increase in health insurance from the FY94 level. FY94 personal service expenditures included $3,741 for termination pay.

Inflation/deflation and fixed costs - Adjustments for inflation and fixed costs, which includes insurance and messenger service, add $17,327 in FY96 and $20,472 in FY97.

New Proposals

Personal Services Reduction - One FTE is eliminated at a savings of $25,132 in FY96 and $25,086 in FY97 to contribute to an agencywide personal services reduction of 5% in order to provide adequate funding for the proposed 1997 biennium pay plan.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	29.74	.00	-1.41	28.33	.00	-1.41	28.33
Personal Services	683,994	76,051	-38,002	722,043	78,072	-38,148	723,918
Operating Expenses	116,367	1,949	0	118,316	3,278	0	119,645
Equipment	2,213	22,455	0	24,668	-879	0	1,334
Debt Service	7,901	-7,901	0	0	-7,901	0	0
Total Agency Costs	**810,475**	**$92,554**	**$-38,002**	**$865,027**	**$72,570**	**$-38,148**	**$844,897**
General Fund	779,323	92,555	-38,002	833,876	72,571	-38,148	813,746
Federal Special Revenue Fund	31,152	-1	0	31,151	-1	0	31,151
Total Funding Costs	**810,475**	**$92,554**	**$-38,002**	**$865,027**	**$72,570**	**$-38,148**	**$844,897**

Present Law Mandates

Section 20-8-102, MCA, states "...MSDB is a residential and day school..." This program is essential to satisfying the residential component of this law.

The federal Individuals with Disabilities Education Act requires all states to offer residential placement as one option within the array of placement options to handicapped students. This program satisfies Montana's obligation to provide a residential placement option.

Present Law Base

Personal services - Personal services increase $18,742 in FY96 and $18,772 in FY97 due to a 1.5% pay increase which becomes effective in January 1995 and a $240 per employee increase in health insurance from the FY94 level. FY94 personal service expenditures included $4,395 for termination pay. Vacancy savings in this program exceeded 12% in FY94 as one cottage was closed to meet budget constraints.

Inflation/deflation - Adjustments for inflation add $1,897 in FY96 and $3,226 in FY97.

New Proposals

Personal Services Reduction - There are 1.41 FTE eliminated at a savings of $27,366 in FY96 and $27,447 in FY97 and vacancy savings of $10,636 in FY96 and $10,701 in FY97 is taken to contribute to an agencywide personal services reduction of 5%. The 5% reduction is taken in order to provide adequate funding for the proposed 1997 biennium pay plan.

Funding

General fund supports the program except for $31,151 each year received from the federal government under the National School Lunch Program.

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	42.94	.00	.00	42.94	.00	.00	42.94
Personal Services	1,426,914	348,010	-64,121	1,710,803	347,955	-64,168	1,710,701
Operating Expenses	95,837	36,921	0	132,758	37,617	0	133,454
Equipment	19,701	-5,325	0	14,376	-19,701	0	0
Total Agency Costs	**1,542,452**	**$379,606**	**$-64,121**	**$1,857,937**	**$365,871**	**$-64,168**	**$1,844,155**
General Fund	1,264,245	133,418	145,911	1,543,574	119,736	145,811	1,529,792
State Special Revenue Fund	228,382	255,650	-210,032	274,000	255,597	-209,979	274,000
Federal Special Revenue Fund	49,825	-9,462	0	40,363	-9,462	0	40,363
Total Funding Costs	**1,542,452**	**$379,606**	**$-64,121**	**$1,857,937**	**$365,871**	**$-64,168**	**$1,844,155**

Present Law Mandates

Section 20-8-102, MCA, states "The object and purpose of the school is to furnish and provide, by use of specialized methods and systems, an education for ...". In order to carry out the object and purpose of this law this program is mandated.

The Individuals with Disabilities Education Act requires all states to offer residential placement as one option within the array of placement options to handicapped students. This program satisfies Montana's obligation to provide a residential placement option.

Present Law Base

Personal Services - Personal services increase $32,659 in FY96 and $32,659 in FY97 due to a 1.5% pay increase which becomes effective in January 1995 and a $240 per employee increase in health insurance from the FY94 level. In addition teachers were given a one step increase each year of the 1995 biennium which adds to the increased cost of personal services. FY94 personal service expenditures included $4,395 for termination pay. Vacancy savings in this program exceeded 4% in FY94 as the outreach program failed to generate revenues to maintain funded staff levels reducing personal service expenditures in outreach by approximately $140,000.

Inflation/Deflation - Adjustments for inflation add $859 in FY96 and $1,628 in FY97.

Outreach restored - Operating expenses increase $37,000 as the outreach services were significantly reduced in FY94 due to the failure of the program to generate sufficient revenues. As a result of new proposal to replace charges to districts with general fund these services are increased to the level needed.

New Proposals

Personal services reduction - Vacancy savings of $64,121 in FY96 and $64,168 in FY97 is taken to contribute to an agencywide personal services reduction of 5% in order to provide adequate funding for the proposed 1997 biennium pay plan.

Out-of-State Tuition - There is $74,000 of state special authority budgeted each year from nonresident students who might attend the school. The money would be used for enhancement of programs and additional service costs relating to the nonresident students.

Restore general fund for librarian and outreach staff - In the 1993 legislative session the school was

instructed to charge school districts for outreach services to sensory impaired students. In FY94 the school collected only $24,855 and was forced to reduce staff in the library and reassign outreach consultants. This new proposal adds $210,032 and $209,979 general fund in FY96 and FY97, respectively, to replace revenue which would have to be generated from fees to fund a librarian and four outreach specialists.

Funding

State special revenues are received from interest and income on trust lands dedicated to the school. The new proposal relating to fees collected from nonresident students is accounted for in the state special revenue fund in FY96 and FY97. Federal Chapter 1 and Chapter 2 grants, indirect cost revenues, and medicaid reimbursements are used to fund eligible services. Medicaid reimbursements are estimated at $7,133 per year which is the FY94 level. The reduction in federal funds is due to an anticipated reduction in Chapter 1 funding.

Advisory Council for Vocational Education

	FY94 Base	Fiscal Year 1996 Base Adjust	Fiscal Year 1996 New Proposals	Fiscal Year 1996 TOTAL	Fiscal Year 1997 Base Adjust	Fiscal Year 1997 New Proposals	Fiscal Year 1997 TOTAL
Full Time Equivalent Employees	2.50	.00	.00	2.50	.00	.00	2.50
Personal Services	93,124	7,213	0	100,337	7,554	0	100,678
Operating Expenses	56,487	7,882	0	64,369	5,907	0	62,394
Equipment	3,901	-1,201	0	2,700	799	0	4,700
Total Agency Costs	**153,512**	**$13,894**	**$0**	**$167,406**	**$14,260**	**$0**	**$167,772**
Federal Special Revenue Fund	153,512	13,894	0	167,406	14,260	0	167,772
Total Funding Costs	**153,512**	**$13,894**	**$0**	**$167,406**	**$14,260**	**$0**	**$167,772**
Administration Program	153,512	13,894	0	167,406	14,260	0	167,772
Total Program Costs	**153,512**	**$13,894**	**$0**	**$167,406**	**$14,260**	**$0**	**$167,772**

MISSION STATEMENT: To effectively carry out the mandated responsibilities set forth in Public Law 101-392, Section 112, of the Carl D. Perkins Vocational and Applied Technology Education Act of 1990.

Present Law Mandates

The advisory council is required by Public Law 101-392.

Present Law Base

Inflation/Deflation and Fixed Costs - Adjustments for inflation and fixed costs, which include audits by the Legislative Auditor, warrant writing, insurance, payroll, and messenger service add $1361 in FY96 and $864 in FY97. The difference between years is accounted for by the audit which is budgeted fully in FY96.

Miscellaneous Increases - Increases are allowed for council members to attend regional and national meetings in relation to education reform ($2000), contract service projects ($2690), and statewide cost allocation charges ($1000)

Funding

The Vocational Education Advisory Council is funded entirely from a federal grant authorized under the Carl Perkins Act.



LONG-RANGE PLANNING

Long-Range Building Program

The Long-Range Building Program was initiated in 1965 to provide funding for construction and maintenance of state buildings. The program was developed in order to present a single, comprehensive and prioritized plan for allocating state resources for the purpose of capital construction and maintenance of state-owned facilities.

Historically, the Long-Range Building Program (LRBP) has been funded with a combination of cash accounts and bonding. That is again the proposal for funding capital construction during the 1997 biennium. The LRBP receives 20.25% of the cigarette taxes authorized in 16-11-111, MCA, as well as Architecture & Engineering Division supervisory fees and retained interest earnings. The declining revenue available for major maintenance and construction projects is shown below.

Long-Range Building Program Revenue for Cash Projects

Biennium	Revenue
1985	$10.87
1987	10.52
1989	6.24
1991	5.51
1993	8.03
1995	5.72
1997	4.59

In addition to the decline in cigarette sales, Chapter 548, Laws of 1993, directed 11.11% of the cigarette tax go to the operation and maintenance of state veterans' nursing homes and reduced the percentage allocated for cash projects from 29.11% to 20.25%. The Fifty-third Legislature appropriated $2.6 million general fund to offset this revenue loss in the 1993 biennium.

The Governor's recommended solution to the revenue shortfall is legislation to reallocate the 12% of the coal severance taxes, which has been temporarily allocated to the highway reconstruction trust fund, permanently to the Long-Range Building Program account. Coal severance taxes in this account which are not appropriated by the Legislature for cash projects or planned for debt service payments on authorized construction projects could be transferred to the general fund upon passage and approval of a bill. The executive budget balance sheet and recommended legislation include a one-time transfer of $5.2 million not needed for debt service in FY96.

Revenue to fund the cash portion of the LRBP also comes from other state agency funding sources such as state special revenue and federal special revenue including, for example, Fish, Wildlife and Parks projects, the Department of Natural Resources and Conservation Tongue River Dam rehabilitation and three other dam projects, and the federally-funded $12 million Billings Armed Forces Reserve Center as well as the $10 million MSU Bioscience Facility.

There are 17 priority cash projects recommended to be funded with $4,585,600 of cigarette tax and fees available in the capital projects fund [abbreviated LRBPF in the table below and in **HB5**]. The number one priority is renovation of the heating, ventilating and air-conditioning system of the STARC Armory in Helena to alleviate indoor air quality problems. Other projects include reroofing, correcting

structural problems, correcting code deficiencies and continuing to meet ADA (federal Americans with Disabilities Act) requirements. When the revenue sources of other state agencies are included, the complete cash program recommendations for the 1997 biennium include 11 agencies with 64 projects at a total cost of $107.8 million, as shown in the following table.

Long-Range Building Cash Recommendations by Agency for the 1997 Biennium

Agency	LRBPF	State Special Revenue	Federal Special Revenue	Other Funds	TOTAL FUNDS
Administration	$ 100,000	0	0	0	$ 100,000
Corrections and Human Services	1,044,000	$ 215,952	$ 560,000	0	1,819,952
Family Services	200,000	0	0	0	200,000
Fish, Wildlife & Parks	0	17,023,240	2,745,000	0	19,768,240
Labor and Industry	0	0	616,550	0	616,550
Military Affairs	365,500	75,000	12,884,800	0	13,325,300
Natural Resources and Conservation	0	5,315,000	30,465,000	11,001,000	46,781,000
School for the Deaf and Blind	120,000	0	0	0	120,000
State Lands	636,400	0	0	0	636,400
Transportation	0	3,350,000	0	0	3,350,000
U System	2,119,700	0	0	18,925,946	21,045,646
TOTAL	$4,585,600	$25,979,192	$47,271,350	$29,926,946	$107,763,088

In addition to the cash project recommendations, LRBP state general obligation bonds will be recommended in **HB15** for bonded construction projects. Top priorities include restoration of the Capitol building, continuation of underground utilities and heating plant system work at Montana State University-Bozeman, Montana State Hospital redesign and construction, and state-county/regional partnership construction of regional detention centers to meet critical space needs for both state and local inmates. Cascade County voters passed a $9.89 million jail bond issue with a 59% approval rate on November 8, 1994, enabling the county to continue its planning and the state to recommend its first detention construction partnership agreement be with Cascade County.

Another priority will be the design and phase-one implementation of a new law enforcement complex to include the Law Enforcement Academy and an expanded state Crime Laboratory/DNA testing center. The voters of Gallatin County rejected the bond issue on November 8, 1994, that would have enabled the Law Enforcement Academy to expand and remain located in Bozeman. Approval of the comprehensive programmatic restructuring recommended at Mountain View will eliminate use of that 200 acre-plus facility for secure detention and make several of the buildings available for almost immediate use by the academy. The recommended bonded program includes $7 million for the law enforcement complex.

The recommended, priority bonded projects will total about $85 million. During the hearings on HB15, detailed schedules of the revenue sources proposed to retire the bonded debt for each facility will be distributed. As the budget goes to press, sources being finalized include coal severance tax as recommended above, the school trust capitol land grant revenue no longer needed due to retirement of current debt, federal special revenue from several different sources, private funds and Montana University System auxiliary revenue.

Resource Indemnity Trust/Renewable Resource-Reclamation & Development Grants and Loans

In 1993, HB608 was passed and approved to increase grant funding, combine the Water Development and Renewable Resource Development Programs, and maintain natural resource agency programs funded by resource indemnity trust (RIT) income. Changes in the law provide grant funding of $2 million for the Renewable Resource Grant and Loan (RRGL) Program and $3 million for the Reclamation and Development Grants Program (RDGP) each biennium beginning in FY96. The RRGL Program replaces the former Title 85, MCA, Water Development Program and the Title 90, MCA, Renewable Resource Development Program. With this action, the 53rd Legislature re-confirmed Montana's commitment to promote the conservation, development, and beneficial use of Montana's renewable resources and to repair, reclaim and mitigate environmental damage to public resources from nonrenewable resource extraction.

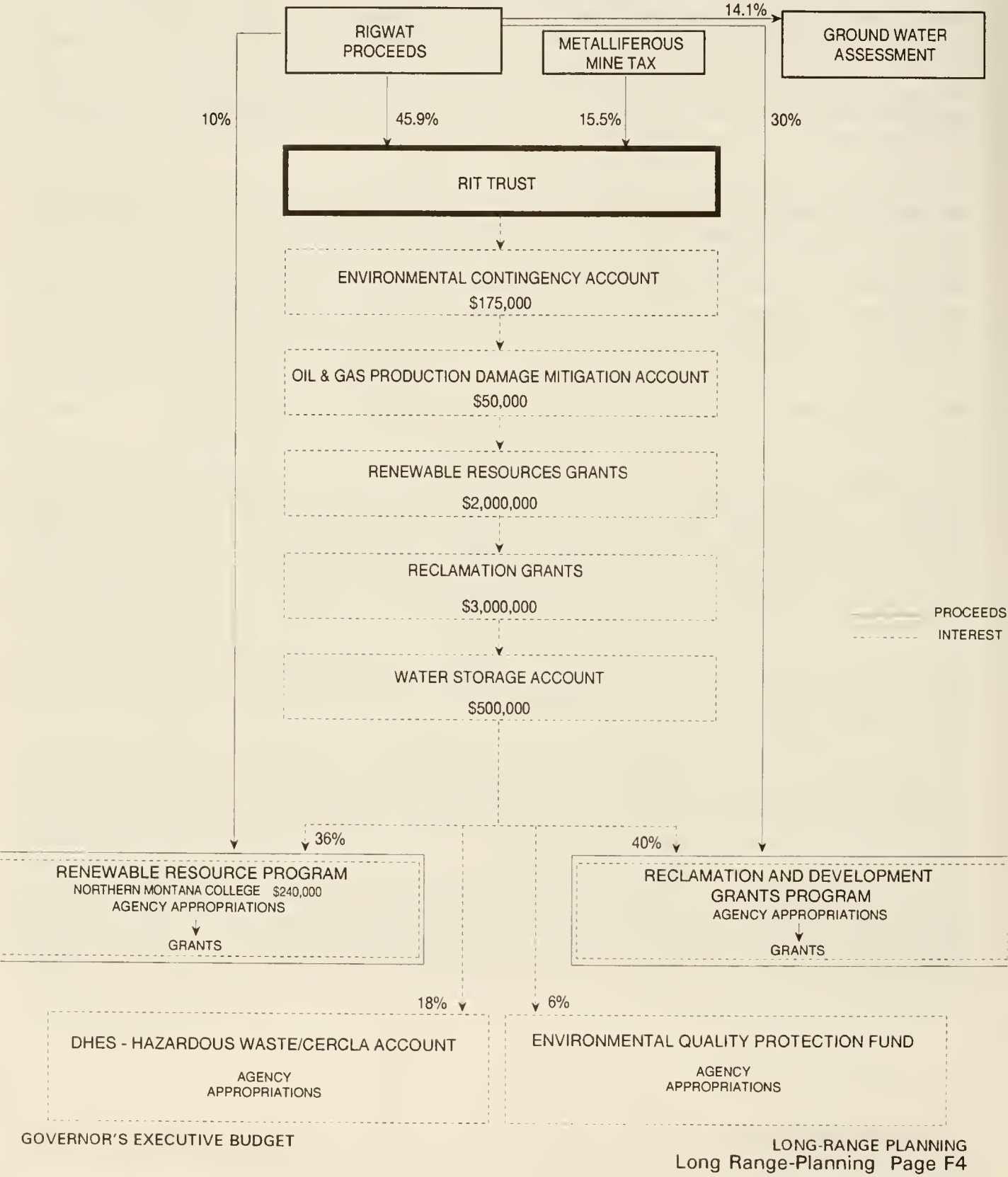
To accomplish these goals, the allocations of resource indemnity and ground water assessment tax (RIGWAT) proceeds and RIT fund interest earnings were changed. There are two sources of tax revenues that are deposited into the RIT fund. These are the RIGWAT and the metalliferous mines tax (metal mines tax). Historically, all of the tax proceeds had been deposited into the RIT fund. In 1991, Title 15 was amended changing the name of the RIT tax and allocating 14.1% of the tax proceeds to the Ground Water Assessment Program. HB608 allocated another 15% of the tax proceeds to the RRGL state special revenue account and 15% to the RDGP state special revenue account for the 1995 biennium. In the 1997 biennium, this allocation changes to 14.1% going to the Ground Water Assessment Program, 10% deposited into RRGL state special revenue account, and 30% deposited into the RDGP state special revenue account. The "Allocation of RIT Proceeds and Interest" flow chart, on the following page, shows this new, revised allocation.

Two-thirds of the way through FY94, a financial emergency struck the Ground Water Assessment Program. Through an oversight in the 1991 legislation, 14.1% of the metal mines tax was not allocated to this program. However, the appropriations were based upon the assumption that all revenues would be available. When the tax payments were made in March of 1994 and allocated in April, the program received only a portion of the revenues expected. The result was that expenditures and obligations had already exceeded revenue, resulting in a projected deficit of $120,546 for FY94. Staff was reduced by 7.50 FTE and the entire program was put on hold for the summer. The Governor recognized the importance of the program to Montana. After all other options for funding were explored, a $262,186 grant from the environmental contingency account was authorized to pay off the loan and to fund the program through the 1995 biennium. This solved the immediate problem.

The same allocation error was repeated in HB608. The original intent of this bill was to allocate 30% of the tax revenues flowing into the RIT fund in 1995 biennium and 40% of the tax revenues from that point on to the two state special revenue accounts. However, as with the Ground Water Assessment Program, the metal mines statute was not amended. This also created a revenue shortfall, but fund balances were sufficient to prevent any crisis. To address these errors, legislation will be submitted amending the metal mines tax allocation. The current proposal is to amend the metal mines tax statute and allocate 14.1% to the Ground Water Assessment Program, 10% to the RRGL state special revenue account and 30% to the RDGP state special revenue account, consistent with HB608 actions and intent.

ALLOCATION OF RIT PROCEEDS AND INTEREST

1997 Biennium



RIGWAT proceeds are expected to stay near current levels over the biennium. Historically, interest earnings had increased steadily, generating higher fund balances. However, reduced revenue and lower returns on investments will cause funds available for appropriation to be lower than previously expected. The "RIGWAT Proceeds, RIT Trust Interest Earnings, and Expenditures" chart presents information on projected revenues and proposed expenditures recommended in the executive budget for the 1997 biennium. Little or no growth in revenues, smaller beginning fund balances, significantly increased grant funding, and reductions in agency appropriations summarize these state special revenue accounts. To maintain positive fund balances in these two accounts, agency appropriations have been reduced or held at base levels in many areas, increased general fund of $3.3 million has been recommended for HB2 to fund programs that have previously been appropriated from these accounts, and a portion of the metal mines tax is included as a revenue source. This revenue and expenditure chart is on the following page.

The ending fund balances remain low. If legislation allocating a portion of the metal mines tax to the RRGL and RDGP state special accounts does not pass, there will be a deficit of approximately $718,000. Excess funds from two debt service accounts are swept into the RRGL state special revenue account. In the 1997 biennium, the sweep is expected to be $919,444. The Legislative Finance Committee, pursuant to its SB378 study of state special revenue accounts, is recommending that the coal tax allocation which helps support these bond payments be combined into one account. The proposal is to have the coal tax-supported programs compete for funding within this one account. If the debt service accounts were not to receive this coal tax revenue, then the excess that is anticipated would be reduced significantly. If no coal tax were provided, the 1997 biennium deficit would be approximately $818,000 in the RRGL state special revenue account.

HB608 did secure funding for grant applications. As mentioned above, $2 million will be available for RRGL grants and $3 million will be available for RDGP grants, compared with $1 million and $2.2 million, respectively, in the 1995 biennium. Applications for the RRGL and the RDGP Programs were due May 15, 1994. The DNRC staff reviewed and ranked the proposals from public entities based on established criteria and the recommendations were then reviewed and approved by the DNRC director and the Governor. Recommendations for the 1997 biennium are summarized in the tables following the revenue and expenditures chart.

RIGWAT Proceeds, RIT Interest Earnings, and Expenditures
1997 Biennium Executive Budget Recommendations

RIGWAT Proceeds Projections	RIGWAT Proceeds	Metal Mines Tax Proceeds	Deposits To RIT Trust	Trust Balance
FY 95	$2,802,913	$861,372	$2,428,200	$91,741,812
FY 96	2,872,711	929,644	1,876,361	93,618,173
FY 97	2,947,440	873,618	1,877,046	95,495,219

RIT Trust Interest Earnings Projections	FY96	FY97	TOTAL
	7,799,597	7,998,859	15,798,456

TOTAL 1997 Biennium Allocation of RIT Interest Earnings		$15,798,456
Environmental Contingency Account	$175,000	
Oil & Gas Production Damage Mitigation Account	50,000	
Renewable Resource Grant & Loan Program (RRGL)	2,000,000	
Reclamation & Development Grants (RDGP)	3,000,000	
Water Storage Account	500,000	
1997 Biennium Appropriations Total		5,725,000
Amount Available for Further Distribution		10,073,456

Distribution of Remaining Interest Earnings

Account	Renewable Resource	Reclamation & Development	Hazardous Waste/ CERCLA	Environmental Quality Protection	TOTAL
Distribution of RIT Interest	36%	40%	18%	6%	100%
Beginning Balance	$572,226	$212,524	$970,126	$936,032	$2,594,833
Revenues					
RIT Interest	$3,626,444	$4,029,382	$1,813,222	$604,407	$10,073,456
RIGWAT Proceeds	762,341	2,287,024			$3,049,365
Debt Service Sweep (04011 and 04008)	919,444				919,444
RRD Loan Repayments	238,900				238,900
Interest (STIP)			120,000	0	240,000
Cost Recoveries			514,000	1,412,190	1,751,000
Administrative Fees	10,000				10,000
State Owned Project Revenue	459,290				459,290
Total Funds Available	$6,588,645	$6,528,930	$3,417,348	$2,952,629	$19,336,288
Appropriations					
Montana State University, Havre	240,000				240,000
DNRC Centralized Services Division	875,245	154,001			1,029,247
DNRC Conservation & Resource Developmen	665,931	1,221,566			1,887,497
DNRC Water Resources Division	1,737,971	2,051,709			3,789,680
Reserved Water Rights Compact Commission	131,638	534,516			666,154
DNRC State Water Projects	1,690,000				1,690,000
DSL Reclamation Division		2,070,677			2,070,677
DSL Central Management		78,085			78,085
DHES Environmental Division			3,415,016	2,802,350	6,217,366
Governor's Office-Flathead Basin Commission	80,082				80,082
Water Court	1,024,296				1,024,296
State Library	322,896	208,459			531,355
Environmental Quality Council		28,083			28,083
Pay Plan					Unknown
Total Appropriations	$6,768,059	$6,347,096	$3,415,016	$2,802,350	$19,332,521
Projected Biennium Ending Balance	$179,414	$181,834	$2,332	$150,279	

Reclamation and Development Grants Program Recommendations

	Project Sponsor (Project Title)	Amount Requested	Amount Recommended	Cumulative Total Recommended
1	Department of Natural Resources and Conservation (Abandoned Mine Reclamation Project)	$300,000	$300,000	$300,000
2	Montana Board of Oil and Gas Conservation (Devil's Basin: Plug, Abandonment, and Restoration)	300,000	300,000	600,000
3	Montana Board of Oil and Gas Conservation (South Cut Bank Field - A : Plug, Abandonment, and Rest.)	300,000	300,000	900,000
4	Montana Board of Oil and Gas Conservation (South Cut Bank Field - B : Plug, Abandonment and, Rest.)	300,000	300,000	1,200,000
5	Department of State Lands (Oil Well Abandonment)	183,260	183,260	1,383,260
6	Lewis & Clark County / City of Helena (Tenmile Mine Site Reclamation Project)	300,000	100,000	1,483,260
7	Montana State University (Clean Tailings Reclamation)	299,039	150,000	1,633,260
8	Cascade County Conservation District (Muddy Creek Water Quality Improvement)	300,000	300,000	1,933,260
9	Department of Health and Environmental Sciences (Nonpoint Pollution Control)	300,000	300,000	2,233,260
10	Butte-Silver Bow Local Government (Upper Clark Fork Basin: Superfund Tech. Assist.)	93,622	93,622	2,326,882
11	Department of Health and Environmental Sciences (Superfund GIS)	241,548	171,548	2,498,430
12	Glacier County Conservation District (Comprehensive Evaluation of Groundwater, Red River)	157,424	157,424	2,655,854
13	Toole County (North Toole County Reclamation Project)	295,246	295,246	2,951,100
14	Department of State Lands (Scobey Reclamation Site)	11,000	11,000	2,962,100
*15	Carbon County (Dry Hydrant Demonstration)	133,000	133,000	3,095,100
16	Petroleum County Conservation District (Petroleum County Artesian Basin Groundwater Project)	300,000	300,000	3,395,100
17	Butte-Silver Bow Local Government (Travona Mineyard Preservation and Enhancement)	248,710	168,740	3,563,840
18	Town of Walkerville (Walkerville Parks and Rec. Project)	103,200	103,200	3,667,040
19	Jefferson Valley Conservation District (Remote Mine Site Demonstration Project)	65,558	65,558	3,732,598
20	Department of State Lands (Expansion of the DSL GIS)	124,377	124,377	3,856,975
21	Eastern Sanders Conservation District (Plains Area Recreational Center - PARC)	153,600	153,600	4,010,575
	Libby Area Conservancy District (Libby-Granite-Cherry Creek Flood Control Plan)	35,000	0	4,010,575
	Mile High Conservation District (Accelerated Soil Survey: Silver Bow County)	282,240	0	4,010,575
	Montana Tech of the University of Montana (Iron Oxidation and Transport at the Bullion Mine)	64,397	0	4,010,575
	Walkerville, Town of (Reclamation of the Marget Ann Claim Block)	300,000	0	4,010,575
	TOTAL REQUESTS	$5,191,221		

* Recommended Funding for RDGP is $3,000,000

Renewable Resource Grant and Loan Program Recommendations

	Project Sponsor (Project Title)	Grant Request	Grant Recommended	Loan Recommended	Cumulative Grant Recommended
	Department of Natural Resources and Conservation (Emergency Grants)		$125,000		$125,000
	Department of Natural Resources and Conservation (Private Grants)		100,000		225,000
	GRANTS AND LOANS TO GOVERNMENTAL ENTITIES				
1	Fallon County (Lower Baker Spillway Construction and Cleaning)	$31,743	15,908	15,835	240,908
2T	Conrad, City of (Reconstruct Outlet Conduit on Lake Francis East Dam)	100,000	50,000	50,000	290,908
3T	Lewistown, City of (Water System Improvements)	100,000	50,000	50,000	340,908
4	Department of Natural Resources and Conservation -- WRD (Deadman's Basin Water Quality Improvement Project)	50,000	47,919	111,081	388,827
5	Department of Natural Resources and Conservation -- WRD (Verification of PDSI for Montana)	65,000	65,000		453,827
6	Montana Tech of the University of Montana (Groundwater Protection and Education, Rural Schools)	84,560	84,560		538,387
7	Montana State University - Montana Watercourse (Preparing Citizens for Montana's Water Future)	100,000	100,000		638,387
8	Greenfields Irrigation District (Main Canal Flow Control System)	100,000	50,000	50,000	688,387
9	Lewis and Clark County (Helena Area Bedrock Aquifer Assessment)	100,000	100,000		788,387
10	Missoula County (Conservation of Riparian Areas Model Project)	100,000	100,000		888,387
11	Thompson Falls, City of (Water Engineering Study)	51,820	51,820		940,207
12	Bozeman, City of (Separator Waste Collection Facility)	50,000	50,000	158,850	990,207
13	Governor's Office-Flathead Basin Commission (Flathead Lake-Watershed Management Plan)	100,000	100,000		1,090,207
14	Department of Natural Resources and Conservation -- WRD (Flint Creek Return Flow Study)	100,000	100,000		1,190,207
15	Richland County (Lone Tree Dam Rehabilitation)	100,000	50,000	50,000	1,240,207
16	Mile High Conservation District (Effects of Land Uses on Montana's Salinized Lands)	99,933	99,933		1,340,140
17	Butte-Silver Bow Local Government (Big Hole River Water Transmission Line Replacement)	100,000	50,000	50,000	1,390,140
18	Montana Tech of the University of Montana (Hydrologic Evaluation, Florence and Seeley Lake)	95,422	95,422		1,485,562
19	Park Conservation District (Soil Survey on Rangelands and Forestlands / Park County)	100,000	100,000		1,585,562
20	Chouteau and Fergus Counties (PN Bridge - Campground)	99,651	27,892	71,759	1,613,454
21	Libby Area Conservancy District (Libby-Granite-Cherry Creek Flood Control Plan)	35,000	35,000		1,648,454
22	Montana Historical Society (PLACES Master Plan For Rec. Enhance. in German Gulch)	100,000	100,000		1,748,454
23	Department of Fish, Wildlife and Parks (Assessment of Aquatic Resources in the Blackfoot Basin)	100,000	100,000		1,848,454

	Project Sponsor (Project Title)	Grant Request	Grant Recommended	Loan Recommended	Cumulative Grant Recommended
24	Hidden Lake Water District (Hidden Lake Irrigation Water System)	34,898	34,898	104,695	1,883,352
25	Kalispell, City of (North Side Water Well Project)	50,000	50,000		1,933,352
26	Yellowstone County (Metra Park Enhancement)	100,000	50,000	50,000	1,983,352
*27T	Hysham, Town of (Sewer System Improvements)	100,000	50,000	50,000	2,033,352
28T	Fairview, Town of (Water System Improvements)	100,000	50,000	50,000	2,083,352
29	Madison Conservation District (Willow Creek Water Resource Management System)	56,886	56,886		2,140,238
30	Manhattan, Town of (Manhattan Water System)	100,000	50,000	50,000	2,190,238
31	Granite Conservation District (Upper Clark Fork River Basin Water Management Plan)	86,120	86,120	2,276,358	
32	Jackson Water and Sewer District (Geothermal Development Feasibility Study)	100,000	27,500	72,500	2,303,858
33	Sun River Water Users Association (Sun River Water System)	100,000	50,000	50,000	2,353,858
34	Lincoln Lewis and Clark Sewer District (Lincoln Wastewater System Study and Upgrade)	100,000	4,800		2,358,658
	Butte-Silver Bow Local Government (Montana Recreation Hotline)	99,833	0		2,358,658
	Dawson County (Bell Street Bridge)	100,000	0		2,358,658
	Fort Shaw Irrigation District ("A" System Diversion)	50,000	0		2,358,658
	Fort Shaw Irrigation District (Rehabilitation and Betterment Study)	50,000	0		2,358,658
	TOTAL GRANT REQUESTS >	3,190,866			
	SMALL LOANS >			1,034,720	
	COAL SEVERANCE TAX LOANS				
T	Hill County Water District (Water Treatment System)			295,000	
T	Whitehall, Town of (Water System Improvements)			400,000	
	LARGE LOANS >			695,000	
	TOTAL LOANS RECOMMENDED >			1,729,720	

* Recommended Funding for RRGL grants is $2,000,000
T -- Applied to Treasure State Endowment Program

Treasure State Endowment Program

Background. The Treasure State Endowment Program (TSEP) is a coal tax-funded program designed to assist communities in infrastructure financing. Montana voters authorized the program by passing Legislative Referendum 110 in 1992. Goals for the program include: encouraging local public facility improvements; creating a partnership between the state and local governments to make necessary public projects affordable; and protecting future generations from undue fiscal burdens caused by financing necessary public works.

Program Overview. The law provides for a diversion of a portion of the coal tax revenues for a 20-year period to create a "Treasure State Endowment" within the coal severance tax trust fund. Only interest earned from the TSEP endowment is available for distribution. For the 1997 biennium, the net amount available for grants for community projects is projected to be approximately $3.5 to $4.0 million. Incorporated cities and towns; counties; consolidated governments; and water, sewer and solid waste districts are eligible to apply. Drinking water systems; wastewater treatment facilities; sanitary or storm sewer systems; solid waste disposal and separation facilities; and bridges are eligible for funding. The statute provides for matching grants, debt service subsidies, and loans. Over 90% of the applications received for the first two funding cycles have requested matching grants. This is because these projects are very expensive, there is a shortage of grant funds, grants are crucial in making projects affordable, and there is a surplus of loan money available. The Department of Commerce administers the program and makes recommendations to the Governor. The Governor makes funding recommendations to the Legislature. The Legislature makes the decisions on the award of TSEP funds.

Program Results. For the 1995 Biennium, 32 applications requesting $11,627,000 in TSEP funds were submitted. The legislature approved 24 projects totaling $4,134,458 in TSEP funds. The 1993 Legislature passed SB 316 which authorized the department to borrow money from the Board of Investments in order to "jump start" the TSEP and fund an adequate number of community projects. The department borrowed $4,134,458 from the board to fund all 24 projects approved by the legislature. Without this jump start loan and because of the TSEP cash flow mechanics, only six of the 24 needed community projects would have been funded during the 1995 biennium. The loan was cost effective because it leveraged approximately $38 million in other matching funds, interest rates were at a 30-year low, unfunded projects would have increased in cost due to substantial inflation for building materials, and the projects were needed to resolve threats to public health.

1997 Biennium Applications. Twenty-one applications have been submitted requesting $7.19 million in TSEP funds for the 1997 biennium. There is approximately a net amount of $3.5-$4.0 million available to award for community projects.

Affordability. Research indicates that the main reason why so many local public facilities are substandard is that most options for correcting deficiencies are simply not considered to be affordable by local taxpayers. Communities with limited financial resources are facing costly improvements to meet federal and state environmental mandates, but existing government programs are falling further behind in meeting the growing demand for financial assistance. The TSEP has been designed to help address this "affordability" problem. The TSEP includes the selective use of TSEP grants based on a financial assessment of the amount of grant funds necessary to make projects affordable and the establishment of objective procedures for defining and measuring a reasonable level of local financial participation in TSEP projects.

Policy Issue, 1993 Legislature. The TSEP enabling statute states that the department: "Shall prepare and submit a list containing the recommended projects and the recommended form of financial assistance for each project to the Governor, prioritized pursuant to subsection (2). The Governor shall review the projects recommended by the department and shall submit a list of recommended projects and the recommended financial assistance to the legislature ". (90-6-710, MCA, emphasis added). Subsection (2) cited above lists the ten substantive ranking priorities. (Priority #l is Public Health Threat; Priority #2 is State/Federal Regulatory Standards; etc.) Thus, it was possible that an application could be ranked high with respect to the ten priorities even though the department's financial analysis indicated that the applicant had adequate financial capacity to fund either a greater portion of the project or the entire project (usually by borrowing more funds). The state was faced with a policy decision: Should the state award scarce grant funds to applicants who were ranked high on the ten priorities but who had documented additional borrowing capacity?

The department recommended that it would be inappropriate for the state to award grant funds to applicants who had the capacity to borrow at affordable rates for the project. Local officials and legislators told the department that communities should participate in the funding of any public facility project in proportion to their local financial resources. In a time of scarce grant resources and close scrutiny of state finances, it seemed fiscally inappropriate for the state to provide grant funds to applicants that could obtain loans at affordable rates. Also, if scarce grant funds were awarded to these less needy applicants, other needy applicants that required grants to make their projects feasible and affordable would not have received grants.

Since TSEP grants had to be rationed, it was important for the state to determine which applicants truly could not proceed without a grant and which applicants had adequate borrowing capacity. In 1993, the department developed and used a financial means test as a major decision making tool to make recommendations on whether grants should be awarded. This approach was endorsed by the Governor and adopted by the Fifty-third Legislature in awarding the 1995 biennium TSEP grant funds. The department has followed this same approach, with some refinements, in preparing its recommendations to the Governor for the 1997 biennium. The Governor has endorsed this approach in his recommendations to the 1995 Legislature.

Policy Issue, 1995 Legislature (Grant Ceilings). There was no grant ceiling established for the TSEP applications for the 1993 Legislature. The department and the Governor believe it is time to reconsider this policy. Most government infrastructure grant programs have ceilings on the maximum amount of grant funds for a single project. Ceilings enable broader distribution of scarce grant funds to a greater number of needy communities. Setting a grant ceiling is complex. If the ceiling is too low, the financial assistance may be inadequate to make the project financially feasible or affordable. Setting a grant ceiling too high may result in funding only a small number of projects while denying other needy communities assistance.

Grant ceilings for other infrastructure programs vary widely. The DNRC Renewable Resource Program has a grant ceiling of $100,000 for public projects, although $50,000 per project is often recommended. The U.S. Farmers Home Administration Water/Sewer Program has no ceiling and has the ability to award all its grant funds (over $3 million annually for Montana) for a single project. There is no statutory ceiling for U.S. Economic Development Administration grants, although the agency normally limits its grants to about $1 million per project. The Montana Community Development Block Grant Program grants are limited to $400,000. The 1995 biennium TSEP grant requests ranged from a high of $2,735,425 to a low of $25,000. The maximum 1995 biennium TSEP grant award was $544,673.

For 1997 biennium applications, the department recommends a new policy of allowing grants of up to $500,000 with the actual grant amount awarded, if any, to be based on an assessment of the

applicant's financial capacity, including the applicant's ability to borrow money. The department believes the proposed $500,000 ceiling strikes a reasonable balance between the need to provide sufficient money to help make projects affordable for community residents and the state interest in funding as many worthy projects as possible. The Governor has endorsed the new proposed grant ceiling policy in submitting his recommendations to the Fifty-fourth Legislature.

Grant Award Recommendations, 1997 Biennium. The recommendations are based on four principles. First, in compliance with the intent of the statute, the applicants' scores on the ten statutory priorities provide the rank order of applicants for funding. Second, in compliance with the statute directive to recommend the form of financing, applicants which have reasonably clear-cut substantial borrowing capacity at relatively affordable rates from other agencies or the bond market are not recommended for grants. Third, in analyzing the borrowing capacity of the applicants, the department has factored in a "safety margin" of reserved borrowing capacity so that applicants whose requests are recommended for reductions or for no funding have adequate borrowing capacity for other future mandated projects or projects in response to emergencies. Finally, projects which appear to have significant feasibility or technical issues are not recommended for funding at this time.

Treasure State Endowment Program
1997 Biennium Project Recommendations

Ranked	Applicant	Project Type	Grant Request	Grant Recommended	Cumulative Grant Totals For Program
1.	Hill County Water Dist.	Water	$500,000	$500,000	$ 500,000
2.	East Glacier Wtr. & Sewer Dist.	Water	306,555	306,555	806,555
3.	City of Lewistown	Water	500,000	500,000	1,306,555
4.	City of Troy	Sewer	500,000	500,000	1,806,555
5.	City of Conrad	Water	180,000	180,000	1,986,555
6.	City of Whitehall	Water	500,000	500,000	2,486,555
7.	Seeley Lake Water Dist.	Water	464,364	464,364	2,950,919
8.	City of Hamilton	Sewer	137,632	137,632	3,088,551
9.	Gardiner Water Dist.	Water	300,000	300,000	3,388,551
10.	City of Kalispell	Water	270,000	0[A]	0
11.	City of Dillon	Sewer	407,500	0[A]	0
12.	City of Thompson Falls	Sewer	400,644	400,644	3,789,195
13.	Butte Silver Bow Govt.	Sewer	500,000	500,000[B]	4,289,195
14.	Beaverhead County	Bridge	23,000	23,000[B]	4,312,195
15.	Powell County	Bridge	51,334	51,334[B]	4,363,529
16.	Town of Fairview	Water	500,000	500,000[B]	4,863,529
17.	Town of Hysham	Sewer	127,500	127,500[B]	4,991,029
18.	City of Havre	Water	500,000	0[C]	----
19.	Town of Chester	Sewer	95,350	0[C]	----

20.	Dawson County	Bridge	500,000	0[C]	----
--	Richland County	Dam	431,250	0[D]	----
	TOTALS		$7,195,129	$4,991,029	$4,991,029

(A) These projects are not recommended for grants because, based on the Department's financial assessment, these applicants can apparently borrow at affordable rates.

(B) Based on the Department's projection of $3,804,646 for TSEP grants available (most precise estimate as of 10/29/94) Butte would actually receive $15,451 and there would be insufficient TSEP revenues to provide any funds for Beaverhead County, Powell County, Town of Fairview, and Town of Hysham. However, TSEP revenues are subject to change.

(C) These projects are not recommended for grants at this time due to feasibility or technical issues.

(D) This project is ineligible under the TSEP enabling statute.

Oil Overcharge Program

The state has received a total of $19,318,243 in oil overcharge funds since the program began in 1984 and earned $4,929,100 in interest on those funds. Through June 30, 1994, the state has spent $19,204,273 in oil overcharge funds on projects approved by the Legislature, which has appropriated funding for a variety of programs.

Low-income programs managed by the Department of Social and Rehabilitation Services have been appropriated $9,891,000. These programs include the Weatherization Assistance Program, the Low-Income Home Energy Assistance Program (LIHEAP) and Energy Share. In 1987, the Legislature created the energy conservation and energy assistance account. Funds deposited in this account and interest earnings on the account were statutorily appropriated to SRS to fund either LIHEAP or the Weatherization program.

Energy conservation programs managed by the Department of Natural Resources and Conservation (DNRC) have been appropriated $6,294,922. The Institutional Conservation Program, which provides energy retrofits for schools and hospitals, received $2,868,567 and the State Building Energy Program received $2,600,000.

Transportation programs have been appropriated $3,353,000 including $2,152,000 for the transload facility at Butte and $300,000 for the transload facility at Shelby. DNRC and DOT received $340,000 for a cooperative program between the departments to promote transportation demand management and to foster expanded use of alternative fuels. Funding also supported a highway lighting project and research on the use of petroleum substitutes from agricultural and timber products.

Programs promoting energy conservation in agriculture received $1,314,042 for biological weed control, grants to conservation districts and a tractor resource clinic.

The Montana Local Government Energy Office received $940,000 to provide technical assistance to local governments and to establish a self-sustaining local government energy program.

For the 1997 biennium, it appears a total of about $250,000 of revenue and interest earnings will be available for appropriations. Other funds which might be forthcoming as a result of restitutionary settlements are involved in protracted litigation which may last for many years. In accordance with the federal Department of Energy requirement that states present a single plan for all oil overcharge monies, the executive budget proposes to appropriate these funds in a single piece of legislation (**HB10**) to two priority programs as follows:

1. Energy Share of the Department of Social and Rehabilitation Services (SRS) emergency heating assistance fuel fund would be recognized as the first priority in the state to receive $25,000 each year of the 1997 biennium for matching with private contributions to be used primarily for households with incomes between 125% and 150% of federal poverty guidelines.

 During FY94, the Energy Share Program combined $50,000 of state oil overcharge funding with $188,185 of private contributions to serve 850 households.

2. The DNRC would receive whatever remaining cash is available up to a maximum of $200,000 from the stripper well payments and from carryover funds for use in the Institutional Conservation Program to retrofit schools and hospitals pursuant to 10 CFR 455.

Historically, this ICP program offered matching grants to schools and hospitals for energy conservation. During FY94, under new federal regulations allowing these funds to leverage other funding sources, the state formed a public/private partnership with DNRC, the Montana Power Company, the Department of Commerce Board of Investments, and the Office of Public Instruction called E = mc2 [EFFICIENCY = managing costs carefully]. The ICP program provides energy efficiency improvements to more facilities than it could previously because of the high degree of leverage that is now possible. For example, DNRC used $46,932 of oil overcharge funds to leverage additional funds of $1,047,982 from the private sector for energy retrofit projects at Carroll College. Engineering and business students assisted in developing and marketing the plan; architects, engineers, plumbers, carpenters and others benefitted from doing the work; and the school will realize energy cost savings of about 20%.

A total of $111.128 oil overcharge funds were expended in ICP during FY94. The program must have a minimum leveraged ratio of 7:1, with projects leveraging up to a ratio of 22:1 for the oil overcharge appropriation. If $200,000 is available in the 1997 biennium, it is projected that about $1.5 million of construction will be leveraged.

Due to declining funds available, no 1997 biennium funding is recommended for the other two project applicants: low-income home weatherization of the SRS and the tractor resource center of the Montana State University--Northern. The state made an up-front investment in low-income home weatherization when it created the energy conservation and energy assistance account with $2.5 million of initial oil overcharge funds in HB621, Laws of 1987. Those funds, which remain statutorily appropriated to SRS, were set aside because it was anticipated that the court settlement overcharge repayments would cease within a decade. Program plans must be revised to incorporate use of this account, which has a balance of $2,229,914, and use of other federal special revenue as well as private funds for low-income home weatherization.

The tractor resource center is not recommended for funding because representatives advised the Long-Range Planning Appropriations Subcommittee during the 1993 session that the center would be a self-sustaining enterprise by the end of the 1995 biennium and because it was ranked last on the priority list developed and adopted by the 53rd Legislature. It is likely that, if any additional oil overcharge funds were to become available, other projects would be funded first.

Cultural and Aesthetic Grant Program

The Cultural and Aesthetic Grant Program began in the 1979 biennium. Funding for the program comes from coal tax interest earnings generated by the cultural trust fund. As provided in 15-35-108(3)(j), MCA, income from this nonexpendable trust is "for protection of works of art in the state capitol and other cultural and aesthetic projects." The program, initially administered by the Montana Historical Society, began with a single project designed to restore mural paintings in the Capitol.

In the 1985 biennium, administration of the program was transferred to the Montana Arts Council and the legislature appropriated funding for 39 projects. Because of rapid program growth, the Montana Arts Council (MAC) developed a formal application process.

This statutory process continues today and includes extensive application review work by a 16-member citizens advisory panel. The panel recommendations are reviewed by the Governor and submitted to the Legislature which, utilizing the panel recommendations and testimony given by grant applicants and others, appropriates the available funds for various projects.

During the November 1993 special session, the original revenue projections used for 1995 biennium appropriations were revised downward because interest rates were below the estimated 9% and projected gains from the sale or swap of bonds were not forthcoming. As a result of a $380,000 shortfall, the 1995 biennium grants, the trust administration and two MAC programs funded with the interest earnings were reduced by 27% in April 1994, and all uncommitted prior year reserves allocated to MAC to match federal special revenue were used to cover the shortfall.

In October 1994, the shortfall was recalculated with indications that an additional $135,000 might be needed to meet remaining 1995 biennium appropriations. To avoid further cuts on grantees, the MAC and Governor are recommending, pending legislative approval, that further 1995 biennium revenue shortfall be replaced with FY96 interest earnings on the cultural trust, reducing grant funds available for the 1997 biennium by a like amount.

The table below shows the total appropriations, amounts expended and the number of projects authorized for the 1979 through the 1995 biennia. Since its inception, the program has distributed nearly $8.5 million in trust fund earnings to 195 organizations.

History of Cultural and Aesthetic Grant Account

Biennium	Appropriated	Expended	Projects
1979	$ 50,000	$ 50,000	1
1981	140,000	140,000	3
1983	641,680	602,042	15
1985	823,479	810,704	39
1987	1,476,511	1,414,114	63
1989	1,211,817	1,099,290	53
1991	1,298,788	1,184,661	65
1993	1,551,323	1,531,239	88
1995	1,706,735	1,283,503 est	93
1997	909,832 est		

The corpus of the trust is approximately $7 million as of July 1, 1994. The Office of Budget and Program Planning reports $909,832 of interest earnings is anticipated for appropriation during the 1997 biennium. The budget recommends $142,768 for MAC administration and $15,000 for Capitol mural restoration through the historical society, consistent with prior biennia. This leaves a total of $752,064 for the balance of the 1995 biennium shortfall and 1997 biennium projects. The advisory panel prioritized 68 projects with total requests of $619,890 as listed below.

Cultural & Aesthetic Project Grants Recommendations

Special Projects - $4,500 or Less

01	Garden City Ballet Company	Ballet for Children - Lecture - Demonstration	$3,410
02	Montana Preservation Alliance	Rural Design Technical Assistance & Operating Support	$3,900
03	Carbon County Historical Society	A Finnish Country Kitchen	$2,920
04	Montana Agricultural Center & Museum	Water and the Farming Culture	$3,410
05	Montana Players, Inc.	Technical Assistance for Artistic Diversity	$3,240

06	Schoolhouse History & Art Center	Salary Support for Executive Director	0
07	Clack Museum Foundation	Havre Area Promotional Video	0

Special Projects

01	Montana Committee for Humanities	Montana Committee For Humanities Speakers Bureau	$24,370
02	Western Heritage Center	Real West - Western Heritage Center Traveling Exhibit	$9,260
03	Vigilante Theatre Company	Artistic Support	$9,750
04	Northern Lights Institute	Featuring Montana artists & writers	$13,650
05	Montana Historical Society	State Wide Conservator Initiative	$29,250
06	Montana Arts Foundation	Two-Part Special Project	$19,500
	Condition: Grant funds may only be used to pay for the operational costs of the organization.		
07	Montana Arts Council	Tribal Arts Education Project	$9,750
08	Writer's Voice of Billings YMCA	Writers on the Road	$9,750
09	Montana Performing Arts Consortium	Four-Part Special Project	$21,450
	Condition: Grant funds may be used to pay tour coordinators.		
10	Hockaday Center for the Arts	Hockaday Center for the Arts Education Programs	$9,750
11	Alberta Bair Theater	Arts Outreach & Education	$7,310
12	MSU Libraries	Montana WPA Project	$4,870
13	Montanans For Quality TV	Bella Vista - A View of World War II From Montana	$5,850
14	Metis Cultural Recovery Inc.	Metis Heritage Center	$9,750
15	Hellgate Writers, Inc.	Hellgate Writers Center for Literary Arts, Expansion Phase III	$9,750
16	Young Audiences of Western MT	Artists' travel expenses	$5,850
17	Rattlesnake Productions, Inc.	Backbone of the World - The Blackfeet	$14,620
18	Aleph Movement Theatre, Inc.	Art and Technology	$8,770
19	Montana Historical Society	Camphell Farm Films - Preservation & Access	$8,770
20	Missoula Community Access TV	Montana Media Arts in Education Project	$3,900
21	MonDak Historical & Arts Society	Gaslight Theatre Enhancement	$2,240
22	MSU KGLT-FM	Live Wire Weekly Live Concerts/Broadcasts	$7,800
23	MSU Montana Public Television	Native Voices Public Television Workshop	$15,600
	Condition: Grant funds must only be used to pay for the training aspects of the project.		
24	Paris Gibson Square Museum of Art	Collections Storage & Conservation Improvements	$3,410
25	Very Special Arts Montana	Clearing House/Committee Recognition	$3,900
26	Copper Village Museum & Arts Center	Achieving Full Stride	$7,800
27	UM Montana Transport Company	1996-97 Rural Montana Tours	$3,900
28	Bozeman Public Library	Montana women in rodeo documentary	$7,800
29	Helena Art Center	Helena Art Center 3-Part Project	$4,870
30	Helena Symphony Society	Cascade String Quartet Residency	$2,920
31	Beall Park Art Center	Membership Campaign/Brochure	$1,950
32	Butte Symphony Orchestra	Staff Expansion - Butte Symphony	$4,880
33	Northern Showcase	Northern Showcase Performing Arts Series	$2,920
34	Montana Indian Contemporary Arts	American Indian Contemporary Arts Symposium IV & V	$6,820
35	Glacier Orchestra & Chorale, Inc.	Glacier Orchestra & Chorale Educational Outreach	$4,870
36	Fort Belknap College	Fort Belknap College Public Radio Station	$5,850
37	Missoula Symphony Association	Concert Support for Elementary Students in Minority Population Schools	0
38	Missoula Cultural Council	Staff Development	0
39	Montana Ballet Company Inc.	Special Project to Aid in Hiring Ballet Mistress	0
40	Great Falls Symphony Association	Ensemble Outreach	0
41	Montana Assn. Symphony Orchestras	National Symphony Orchestras Tour America Program	0
42	Bozeman Symphony Orchestra	Senior Citizen Concert Attendance	0
43	College of Great Falls	College of Great Falls Renaissance Faire	0
44	Emerson Cultural Center	Community Art in Living & Learning	0
45	Billings Symphony Society	Special Project - Combined High School/Symphony Orchestra Concert	0
46	MSU Art Department	Native American Voices	0
47	Big Horn Arts & Crafts Association	Big Horn County Cowboys - 100 Years	0
48	MSU Department Media & Theatre Arts	Theatrical Media Production	0
49	Butte Family YMCA	Arts Camp	0

Operational Support

01	MSU Shakespeare in the Parks	Operational Support Montana Shakespeare in Parks	$26,320
02	Helena Presents	Operational Support for Helena Presents 1995-96 & 1996-97	$19,500
03	Montana Art Gallery Directors Assn	Exhibition Fee Support for Art Galleries/Museums	$19,500
04	Custer County Art Center	Operational Support	$14,620
05	Montana Alliance for Arts Education	Operational Support	$4,870
06	Livingston Depot Foundation	Livingston Depot Operational Support	$4,870
07	Montana Dance Arts Association	Operational Support	$4,870
08	Growth Thru Art, Inc.	Operational Support for Growth Thru Art, Inc.	$4,870
09	UM Montana Repertory Theater	Operational Support for Montana Tour	$15,600
10	Coordinator of Indian Affairs	Montana Burial Preservation Board Support	0
11	Montana Chorale	Operational Support for Montana Chorale	0

Capital Expenditure

01	Indian Monument/Flag Circle Committee	American Indian Monument/MT Tribal Flag Circle	$29,250
02	Butte Center for Performing Arts	Renovation of Fox Theatre	$14,620
03	Fort Peck Fine Arts Council	Fort Peck Theatre Restoration	$4,870
04	Yellowstone Art Center	New Yellowstone Art Center	$14,620
05	Butte-Silver Bow Arts Foundation	Renovation of Arts Chateau	$14,620
06	Missoula Children's Theatre	Missoula Children's Theatre Capital Campaign	$14,620
07	Garnet Preservation Association	Garnet Ghost Town Restoration Project	$3,900
08	Archie Bray Foundation	Save the Beehives - 5 Year Facility Renovation	$14,620
	Condition: Grant funds will only be released upon receipt of a letter of agreement from the State Historic Preservation Office.		
09	Arlee Historical Society Inc.	Install Secure System, Outside Light, Paint Museum	$2,440
10	C M Russell Museum	Exalted Ruler Acquisition	$3,900
11	Historical Museum at Fort Missoula	Drummond Depot RR Exhibit & Education Space	$3,410
12	Prairie Winds Arts Council	Cultural Arts & Interpretive Center	$6,820

13	Culbertson High School	Heather Hotchkiss Memorial Sculpture	0
14	Beaverhead Development Corp.	Road Agent's Trail	0
15	Blaine County Wildlife Museum	Historic diorama	0
16	Gallatin County Historical Society	Elevator Lift Installation - special needs	0
17	Three Forks Area Historical Society	Historic Stained Glass in Museum	0

Endowment Development

01	Billings Preservation Society	Billings Preservation Society Endowment Trust	$4,390
02	Billings Studio Theatre	Establish Permanent Endowment Billings Studio	$7,020
03	Clack Museum Foundation	Increase Endowment Funds	$5,700
04	Gallatin County Historical Society	Endowment Fund Enhancement	$4,390
05	Great Falls Symphony Association	Development of Endowment	$8,770
06	Billings Symphony Society	Endowment Expansion	$6,580
07	Glacier Orchestra & Chorale, Inc.	Glacier Orchestra & Chorale Permanent Endow Challenge Grant	0
08	Hockaday Center for the Arts	Hockaday Endowment	0

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